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Stocks Renew Fall, With 2d-Biggest Drop in Dow Weak Dollar Depresses Markets New York Index Slides 157 Points

By Ferdinand Prottman
International Herald Tribune

The dollar plunged 4 pence in Frankfurt on Monday, and its weakness unleashed further steep declines on the world's major stock exchanges.

Central banks moved in to support the U.S. currency. In London the dollar closed just 1.25 pence lower for the day and by the close in New York the dollar was marginally higher against the mark and some other currencies.

Participants in both the currency and stock markets cited the same factor as the cause of declines: the need for the United States to take rapid, tangible steps to lower its huge budget and trade deficits.

"The day's trading was extremely nervous, dealers in Europe said.

"There are rumors of new ranges for the dollar, speculation that the G-7 will meet this weekend," one dealer said, referring to currency support levels set by the Group of Seven leading industrial nations.

"The anxiety is enormous. The attitude is much different from before the stock crash last

Monday, although currency rates have held relatively stable since then.

The nervousness and speculation played into heavy selling sentiment coming from Asia. Overnight in Tokyo, the dollar closed at 141.80 yen, down from 144.20 on Friday.

Then in Frankfurt, the dollar fell to 1.7692 Deutsche marks at the midday fixing from 1.8060 at Friday's official setting. The Bundesbank, West Germany's central bank, intervened at the fixing, purchasing \$2.7 million to support the U.S. currency.

The Bank of England joined the intervention, and the dollar closed in London at 1.7760 DM, down from 1.7885 on Friday.

In New York, where the dollar had plunged sharply on Friday, it closed at 1.7780 DM, slightly higher than the previous 1.7780.

"The majority of the downward movement took place in New York on Friday," said James Vick, senior corporate trader at Manufacturers Hanover Corp.

He said the Bundesbank intervention represented a "token amount relative to the flows that go through foreign-exchange markets. Yet it was a signal to the markets. A reminder that they are there."

The rumors of an imminent meeting of the world's seven leading industrial democracies began last week and have continued despite denials Britain, France, West Germany, the United States and Japan that they are preparing major economic changes or planning an emergency meeting for the coming weekend. Italy and Canada are the other G-7 members.

"The lack of firm statements of intent on the currency situation by the United States and other members of the G-7 is adding to the tension, dealers said.

Britain's chancellor of the Exchequer, Nigel Lawson, said Monday that West Germany was not doing enough to alleviate pressure on the market.

"What is not required in current world circumstances is either a lurch into protectionism or undue monetary tightening," he said. "It would certainly be helpful if the German monetary authorities were to show more obvious awareness of this."

Some currency dealers suggested that Mr. Baker's meeting last week in Frankfurt with the West German finance minister, Gerhard Stoltenberg, and the Bundesbank president, Karl

Compiled by Our Staff From Dispatches

NEW YORK — A new wave of selling gripped the New York Stock Exchange on Monday, and the Dow Jones industrial average skidded 156.83 points, its second-worst single-day performance.

The plunge followed severe market declines in Asia and Europe and occurred as investors looked to Washington for signs that President Ronald Reagan had realized the severity of the financial markets' confidence crisis and would turn his attention to reducing the enormous U.S. budget and trade deficits.

But Mr. Reagan said Monday after trading had ended that the stock market plunge may simply have been a case where "the market overpriced itself and is now making a corrective change."

He made the comment in an interview with foreign television correspondents. By some estimates, investors have lost about \$1 trillion over the last few weeks.

"I wonder sometimes if what happened in the market is not a case of maybe the market overpriced itself and is now making a corrective change," Mr. Reagan said.

The Dow ended at 1,793.93, down another 8.04 percent. Monday's drop was surpassed only by the 508-point fall a week earlier.

After last week's ferocious beginning, the Dow index recovered nearly 300 points on Tuesday and Wednesday and finally ended Friday with a loss of 296 points for the five days. The huge drop on Monday, however, erased most of last week's partial recovery.

Volume rose to 308.8 million shares, the sixth-heaviest trading in NYSE history, even though the trading session was two hours shorter than usual.

After trading ended, the NYSE announced that it would extend the shortened hours through Friday. The abbreviated sessions were begun last Friday to give the financial community time to process paperwork from recent frenetic trading.

Since the market began its collapse last week, the Dow has given up more than 20 percent of its value. Since its historic high of 2,722.42, on Aug. 25, the average has given back 34 percent.

Monday's drop was the blue-chip indicator's sixth-largest percentage decline since the average was expanded to include 30 stocks, in 1928.

The loss on Monday was broad, another dismal factor. For every NYSE share that gained in value, nearly 14 shares fell.

The New York Stock Exchange Stock Index dropped 11.34, or 0.81 percent, to 127.88. Standard & Poor's 500-Stock Index fell 20.55, or 8.3 percent, to 227.67. The price of an average share fell \$2.57.

A widely respected Wall Street analyst predicted that the Dow would fall to between 1,300 and 1,500 within the next week.

Elaine Garzarelli, an analyst at Shearson Lehman Brothers Inc., said the Dow must drop another 15 percent to 20 percent to restore a more traditional relationship between dividend yields on stocks and yields on long-term bonds.

With the Dow between 1,300 and 1,500, stock dividends would yield an average of 5.5 percent to 6 percent, she said. Stocks currently have an average yield of 3.7 percent.

"The whole crash occurred because stocks were severely overvalued," Ms. Garzarelli said. "People became euphoric."

Stock prices are being slashed as investors worry that the economy will not be strong enough to generate the corporate profits they

See MARKETS, Page 12

U.S. Sets Embargo On Trade With Iran

Compiled by Our Staff From Dispatches

WASHINGTON — President Ronald Reagan, citing "aggressive disregard for the most fundamental norms of international conduct," imposed a broad trade embargo against Iran on Monday for attacks on U.S. and other interests in the Gulf.

Urged by Congress to increase pressure on Tehran for its actions in the Gulf, Mr. Reagan ordered a ban on imports of oil and other goods from Iran and an embargo on 14 categories of U.S. products with potential military application.

"Let me emphasize that we are



In Hong Kong, residents peer anxiously through the entrance to the stock exchange.

Kiosk Not Bluffing On Summit, Reagan Asserts

WASHINGTON (AP) — President Ronald Reagan indicated Monday that he would not allow himself to be outmaneuvered in the jockeying with Mikhail S. Gorbachev over an arms control treaty and a summit meeting.

During a picture-taking session with congressional leaders, Mr. Reagan was asked whether he felt Mr. Gorbachev was "playing games" with him in view of the Soviet leader's last-minute refusal to set a summit date.

"If he is, he's playing solid," the president replied.

In an interview with European television correspondents, Mr. Reagan said he still believed that a treaty to ban medium-range nuclear weapons was going to be signed.

But at the same time, Mr. Reagan acknowledged that "we were hoping they would set a date" for a summit meeting.

"We have said to them that it's up to them to set a date if they would like to have it, and I have not counted it out as yet," Mr. Reagan said.



The Minnesota Twins celebrated Sunday night after winning the World Series. Page 19.

GENERAL NEWS
The Solidarity union in Poland urged citizens to boycott a planned referendum. Page 6.

BUSINESS/FINANCE
Personal income in the United States showed the biggest monthly improvement since February. Page 11.

Dow close: DOWN 156.83
The dollar in New York:
DM £ Yen FF
1.7785 1.685 142.35 5.95

International Prices Drop Sharply

Share prices dived again in Asia and Europe on Monday, dashing hopes that the start of the week would see the end of the world securities crisis.

Prices fell in the aftermath of the 33 percent drop in Hong Kong's Hang Seng index, on fears that the New York Stock Exchange and the dollar would plunge further.

Tokyo's key index, the Nikkei average of 225 selected shares, tumbled 1,096.22 yen, or 4.7 percent, to close at 22,202.56 yen. It was the third-largest single-day point decline, surpassed only by that of last Tuesday and Friday. Traders attributed the fall partly to selling by foreign shareholders.

An early 100-point decline in the Dow Jones industrial average in New York helped depress London prices by 150 points before they rallied at the finish.

The Financial Times-Stock Exchange 100-share index closed down 111.1 points, or 6.2 percent, at 1,684.1. The weakness of London shares also was

Markets Take Another Plunge

World Markets	Index Close	Point Change	Percentage Change
London	1,684.10	-111.10	-6.19
Paris*	N.A.	N.A.	-8.05
Frankfurt	1,569.20	-97.50	-5.85
Tokyo	22,206.56	-1,096.22	-4.71
Hong Kong	2,241.69	-1,120.70	-33.33

*Based on an average.

Hong Kong Index Dives 33%

By Patrick L. Smith
International Herald Tribune

HONG KONG — Share prices on the Stock Exchange of Hong Kong plunged Monday, pushing the local Hang Seng index down a record 33 percent, lower than even the most pessimistic analysts had predicted.

The Hang Seng ended at 2,241.69, a loss of 1,120.70 points from its previous close early last week. Volume came to 4.2 billion Hong Kong dollars (\$540 million), more than twice the daily average this year.

The panic was expected to continue Tuesday.

On the Hong Kong Futures Exchange, which banks and the government rescued from imminent collapse over the weekend with a \$256 million support package, prices for the October contract based on the Hang Seng index plunged 44 percent. The futures market is the world's second most important after the United States.

The rout in Hong Kong was a significant factor in the London market's poor opening later in the day, analysts said. New York's activity on Monday, which follows the Hong Kong's market's close, was viewed as crucial to Hong Kong's performance on Tuesday.

It was the first day of trading in Hong Kong since exchanges were closed Oct. 20, the day after the Hang Seng plunged 11 percent in reaction to price collapses on Wall Street and other international markets.

The Hang Seng has fallen about 41 percent since the drop on Oct. 19. Before then, analysts estimated that the Hong Kong market was capitalized at roughly \$80 billion.

Most analysts had expected a drop of 20 percent to 25 percent for the day, based on prices in off-market trading last week.

Broker Is Slain in Miami

United Press International

MIAMI — An investor who suffered heavily in the fall of the stock market opened fire in a Merrill Lynch brokerage office Monday, killing one vice president, critically wounding another and then killing himself.

In New York, the chairman of Merrill Lynch, William A. Schreyer, and the president, Daniel Tully, said they were "deeply shocked and saddened to learn of this incident, and we extend our heartfelt sympathies to all the families affected by this event."

Alan Pierce, a friend of Mr. Kolokoff, said: "I told him to be careful. You have people's emotions running very high now. He seemed very busy, trying to get his customers squared away."

Kathy Graham, a Merrill Lynch employee who did not see the shooting, said Mr. Kane was "a long-time customer" and "a wonderful man."



President Ronald Reagan at the start of a meeting in Washington on Monday with members of the bipartisan committee on the U.S. federal budget deficit. With him were the speaker of the House, Jim Wright, left, and Senators Robert C. Byrd and Bob Dole, right.

Reagan and Legislators Agree To Truce During Deficit Talks

By Lou Cannon
Washington Post Service

WASHINGTON — President Ronald Reagan and congressional leaders met Monday at the White House under the deepening shadow of economic crisis and agreed to set aside partisan criticism in the interest of working out a compromise package to reduce the federal budget deficit.

The White House spokesman, Martin Fitzwater, said the Senate majority leader, Robert C. Byrd of West Virginia, had set the tone for the meeting by saying, "Let's stop looking backward; let's look forward."

Mr. Fitzwater characterized the session as "very positive, constructive and cordial" and said a 15-member negotiating team would begin work Tuesday afternoon on a package designed to reduce the deficit by at least \$23 billion.

He said the discussions would be held under a "news blackout" in an attempt to reduce the impact of the talks on Wall Street, where stocks plunged again on Monday.

"If we can do better" than a \$23 billion reduction, Mr. Byrd said after the meeting, "we want to do better."

Legislators said that specifics were not discussed at the meeting but that both the president and the legislators restated their determination to find common ground.

"I don't see us failing," said Representative Jim Wright, Democrat of Texas, the speaker of the House.

Mr. Fitzwater repeated the pledge made by Mr. Reagan at a news conference last Thursday that "everything is on the table," except Social Security.

White House officials tried to play down Mr. Reagan's frequently expressed opposition to any tax increase, and some of them acknowledged privately that tax increases were likely to be part of any compromise package.

Among the proposals that will be discussed by the 15-member team are a spending freeze and a possible delay of tax cuts scheduled for next year.

Mr. Wright said there was a general agreement that the talks should produce a framework for achieving a minimum deficit reduction of \$23 billion this year and "to do more if possible."

He said the emphasis will be on a multiyear approach that would yield "long-term reductions" rather than one-year gains.

"We're not going to be satisfied with putting cold patches on the inner tube," Mr. Wright said.

Democratic leaders said financial markets would be reassured only by a package that would continue to make significant reductions in the deficit beyond this year.

Under the schedule required by a revision to the Gramm-Rudman-Hollings balanced-budget law this year, Congress and the White House could have escaped with

See BUDGET, Page 2

Obstacles To Reform Conceded By Chinese

By Daniel Southerland
Washington Post Service

BEIJING — Two senior Chinese officials made it clear Monday that China faced numerous obstacles in reforming the country's Soviet-style industries and was uncertain of how to proceed in some areas.

At a rare news conference, the officials were unable to provide a timetable for carrying out changes dealing with prices, bankruptcy and the management of state-owned industries.

At the same time, they said that China would continue to experiment with changes that some more traditional Marxists would consider to be capitalistic, such as the creation of land and labor markets and the distribution of shares in state-owned factories.

The two men were Du Runsheng, director of a high-level Communist Party rural research center, and Gao Shanguan, vice minister of the state commission for restructuring the economy.

The news conference was organized as part of a Communist Party congress that opened Sunday. The congress is supposed to endorse top party leadership changes. Western journalists are being given access to some of the proceedings for the first time in decades.

Answering a question about one of the changes, Mr. Du said that the utilization rights for state land could be sold under a proposal now under consideration.

A Western economist in Beijing said that the Chinese were edging toward creation of a real estate market, something that might have shocked both Mao and Marx.

But Mr. Du said that China would keep its land under state ownership regardless of whether land utilization rights were transferred.

Meanwhile, price reform, considered the key to many other changes, has been largely stalled since early this year out of a fear of inflation.

Prices rose 7 percent in the first three quarters of the year, and bank officials say that a more accurate rate would be more than 10 percent.

"We will persist in our efforts to implement price reform," Mr. Du said, "but will proceed in a steady manner so as to maintain the basic stability of prices."

A Western economist said the Chinese were likely to delay making any moves on price reform until nine months to a year from now.

Prices are a highly sensitive issue in China, because they affect so many people and because the Communists have prided themselves on controlling inflation.

A Chinese official said recently that the government feared major unrest — possibly rioting — a few months ago because of rising food prices.

At the news conference the two officials said a major problem was that the demand for goods had continually exceeded the supply in a society that has become increasingly oriented toward consumption.

Earlier this year the party shifted the main emphasis of the changes away from price reform to an attempt to make industries more efficient and productive.

The latest experiment, which now extends to a large number of the factories, has managers competing for contracts under which they attempt to run them at a profit.

Officials assert that the system is working well in numerous cases, but economists say that this "management contract system" is at best an interim measure.

Since the contracts are based on fixed prices, they tend to work against any attempt to introduce price reforms that would deregulate prices.

The system also lends itself to corruption, because managers who have personal connections with party and government officials can negotiate a better contract than those managers who do not have such connections.

Mr. Gao said that the "overwhelming majority" of Communist Party members supported the economic changes that have been introduced by the senior leader, Deng Xiaoping, Prime Minister Zhao Ziyang and other reformist officials.

But he acknowledged that some people with vested interests would be hurt by the changes and therefore would resist them.



President Li Xiannian of China letting a yawn escape during the reading of a report at the Communist Party congress. At right is Hu Yaobang, who was removed in January as leader of the party but retains an important role.

Talks Expected Between Cambodian Rivals

By Michael Richardson
International Herald Tribune

SINGAPORE — Rival Cambodian leaders are expected to meet in France next month for exploratory talks on the war in Cambodia, and some officials in the region are worried about the impact of the talks on the coalition of resistance groups fighting the Vietnamese-controlled government.

Diplomats said that informal talks between Prince Norodom Sihanouk, a leader of the resistance coalition, which occupies Cambodia's seat in the United Nations, and Hun Sen, prime minister of the government in Phnom Penh, would be held in or near Paris in the first half of November.

The diplomats said there was concern among government officials in China, the United States, Thailand and Singapore that Prince Sihanouk might be tempted to make concessions that were unacceptable to other guerrillas in the ranks of opponents of Vietnam's occupation of Cambodia.

The reservations about the talks are shared by leaders of the two other Cambodian groups in Prince Sihanouk's coalition, the diplomats said. Those groups are the Khmer Rouge, led by Khieu Samphan, and the Khmer People's National Liberation Front, led by Son Sant.

But Indonesian officials and aides of Prince Sihanouk said that the Paris talks would be purely exploratory, to determine whether there was a basis for further informal meetings involving leaders of all Cambodian groups and, at a later stage, Vietnam.

Preparations for the meeting follow a flurry of diplomatic activity since June involving nearly all the parties with a major interest in the Cambodian conflict, including Vietnam, the Soviet Union, China and ASEAN, the Association of South East Asian Nations.

Diplomats said the United States had been kept informed of developments by ASEAN. Its members are Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Mochtar Kusumadadja, the Indonesian foreign minister, said in Jakarta on Friday that he would fly to Paris at around the time of the talks.

He said he would consult Jean-Bernard Raimond, the French foreign minister, about coordinating diplomacy in stepped-up efforts to settle the Cambodian conflict.

Indonesia acts as ASEAN's link with Vietnam on the Cambodian issue. Mr. Mochtar said earlier this month that senior Indonesian and Vietnamese officials planned to meet in November in Jakarta or Hanoi to try to work out details of a settlement.

Diplomats said there also was concern that Indonesia, which believes that continuation of the

Cambodian conflict is entrenching Chinese and Soviet involvement in Indochina, would support Prince Sihanouk's initiative to end the fighting.

In an interview with a correspondent of Agence France-Press in Phnom Penh last week, Mr. Hun Sen said he would go to Paris to meet Prince Sihanouk.

He said he was ready to offer the prince "an important role in the future government" of Cambodia, adding that negotiations would determine whether the position would be that of president, vice president or prime minister.

Prince Sihanouk has said that a four-party interim administration, representing the three groups in his coalition and the Phnom Penh administration, should be formed in the early stages of any comprehensive peace plan for Cambodia.

In its Oct. 8 statement, Phnom Penh said a coalition government would be formed and Vietnamese troops would be withdrawn only after foreign support for the resistance had ended.

Singapore, Thailand, China and the United States maintain that if ASEAN and other opponents of Vietnam's military presence in Cambodia stand firm, the corrosive effects of guerrilla war in Cambodia, economic decay at home and international isolation will compel Vietnam to make substantial concessions to settle the Cambodian conflict.

Some military sources said that they suspect the allegations against the American attaches were being generated by the Ramos faction headquarters. This group is said to be suspicious of the attaches' close ties to the Honasan group, and also angered by the widespread perception in the Philippines that the U.S. defense establishment is privately critical of General Ramos's leadership and of the Philippine military's ability to defeat the communist insurgency.

"It's all a concoction coming from Ramos's people," said one officer with close links to Colonel Honasan. "You could say any attaché who talks to any soldier is guilty of interference."

The issue showed signs of escalating Monday. The House speaker pro tempore, Representative Antonio Cuenco, said at a breakfast meeting that "one committee has been instructed to go deep into this thing, and ferret out the truth regarding American intervention."

Senator Teofisto Guingona, speaking at the same meeting, added that the Senate is likely to launch its own investigation into U.S. involvement during the coup attempt.

Several analysts said the government was in a dilemma — not wanting to escalate the matter and cause a serious diplomatic rift with its key ally and benefactor, but at the same time not wanting to seem reluctant to act on an issue that has aroused intense nationalist and anti-American sentiment.

Mrs. Aquino's political opponents have seized on the issue of U.S. involvement. The Senate minority leader, Juan Ponce Enrile, suggested that any investigation of U.S. interference be expanded to cover the entire tenure of Mrs. Aquino's presidency.

Burkina Faso Is Giving Coup a Cool Reception

By James Brooke
New York Times Service

OUAGADOUGOU, Burkina Faso — For a decade, the two young military officers were inseparable friends. They trained together, they ate together and, eventually, they plotted together.

Once in power, however, Captain Thomas Sankara and Captain Blaise Compaore found that Burkina Faso, a country of eight million people, was too small a place for both of them.

The showdown came Oct. 15, when a unit of Captain Compaore's commandos shot and killed President Sankara and 12 aides.

On Friday, Captain Compaore, 38, sat in his new office near where his predecessor was gunned down. Dressed in camouflage fatigues, with a combat knife on one hip and an ivory-handled pistol on the other, Burkina Faso's new leader said that his men had shot the president without orders.

They had acted to prevent Captain Sankara from carrying out a plot to kill Captain Compaore, he said, giving a version of events that was disputed by others.

"Without waiting to inform me about this plot, my men went to arrest him," Captain Compaore said as gardeners weeded and watered flower beds outside. "He answered firing."

Shortly after the shootings, a disk jockey at the national radio station reached for a cassette of martial music, and Burkina learned that their nation's fourth coup in seven years was under way.

Yet in a country and a continent accustomed to coups, this one has been poorly received.

Captain Sankara, 37, with his jaunty red beret, his photogenic smile and his energetic preaching of revolution, was idolized by

youths across Africa as their continent's Che Guevara.

So far, no African leader has sent a public message of congratulations to Captain Compaore.

Ghana declared one week of mourning. Congolese radio lamented the loss of "a worthy son of Africa" and assailed "Compaore's treason." On Monday President Yoweri Museveni of Uganda attended a memorial service in Ghana.

In Burkina Faso, where many people said they were tired of Captain Sankara's four years of revolution, the populace seems to be in a state of shock. The assassination of the president was the first in the country since Burkina Faso, formerly Upper Volta, won independence from France in 1960.

At a weed-choked potter's field on the outskirts of the capital, a spontaneous pilgrimage to the makeshift graves of Captain Sankara and his 12 aides has been taking place.

Although the state-controlled news organizations did not announce the death for four days, thousands of people started gathering at the grave the morning after Captain Sankara was killed.

On Saturday, rosary beads, crosses and sun-dried flower garlands adorned the earthen mound. "Thomas Sankara, the Burkina-abe people will never forget," read a hand-printed note left at the grave.

"Sankara cowardly murdered by traitors," another note said. Two young men contemplating the gravesite said they were particularly offended by the treatment of the president's body.

Under the cover of a curfew in the predawn hours of Oct. 16, the bodies of Captain Sankara and his 12 aides were thrown into a common grave and covered with a light layer of dirt.

The burial was so hasty that mourning Burkina-abe were able to dip their handkerchiefs in blood forming on the grave.

On Oct. 17, the remains were reburied in separate graves. Later, when soldiers tried to bar the public from the cemetery, hundreds of students responded by shouting "Assassins!" and "Bundits!" And the new government banned all requiem Masses for Captain Sankara.

In contrast to the thousands of Burkina-abe who thronged to the cemetery, a shortage of marchers

caused the government to cancel rallies for support last weekend.

The new government's bids for civilian support have largely failed. Primary and secondary schools were closed recently after high school students threw stones at guards of the new government, which calls itself the Popular Front.

The new government has won some support by attacking the former president's often eccentric policies.

At various times, Captain Sankara announced that all houses in Ouagadougou would be painted white, that rents had been abolished, that fruit imports from the Ivory Coast were prohibited and that all civil servants should wear tunics made of homespun cotton cloth.

In a typical comment, made three days before his death, Captain Sankara suggested that the superpowers give their nuclear weapons to the African National Congress to aid in the fight against apartheid in South Africa.

The new government has emphasized a moderate line.

"There will be a new style in our foreign relations," Captain Compaore said Friday. "If you look, you will see that we have problems with all our neighbors."

On the radio the night of the coup, the new president denounced his erstwhile comrade in arms as "the renegade Sankara." Radio commentators later branded the former president a "traitor," a "megalomaniac" and a "Pol Pot."

Later, Captain Compaore said that he might erect a memorial to the slain president, who became prime minister after a coup in 1982, then was jailed briefly during a power struggle in early 1983 before



Visitors at the grave of President Thomas Sankara.

seizing power in a coup in August 1983.

One man in a green shirt standing over Captain Sankara's grave said bitterly, "They insult the dead, and they menace the living with guns."

Sixty miles (95 kilometers) west of Ouagadougou, in Koudougou, a local garrison commander said Friday that he refused to support the "assassins of Sankara."

The commander, Captain Kabore Boukary, has a direct command over 400 men.

Manila Press Chides U.S. On Actions Of Attachés

By Keith B. Richburg
Washington Post Service

MANILA — New accusations that Manila press had been misled by U.S. government personnel were involved peripherally in the Aug. 28 coup attempt here showed signs Monday of becoming a diplomatic issue.

The issue posed a problem for President Corason C. Aquino and highlighted the sensitivity here to any hint of meddling by the United States, once the ruling colonial power in the Philippines.

The accusations began with a report from the leftist newspaper *Malaya* last week that at the height of the coup attempt, Lieutenant Colonel Victor Raphael, an assistant military attaché at the U.S. embassy, was inside Camp Aguinaldo, the armed forces headquarters, which was then controlled by rebel troops.

Nicholas Platt, the U.S. ambassador, confirmed Thursday that Colonel Raphael was inside the camp, but pointed out that the attaché's job was to keep track of the developments.

"He was doing his job," Mr. Platt said, adding that Colonel Raphael was a "trusted member" of the embassy staff.

The *Malaya* report also said that Colonel Raphael had tried at one point to dissuade the commander of a pro-government assault force from attacking the rebel position.

Colonel Raphael is known to be a friend of Colonel Gregorio Honasan, leader of the aborted coup, and a regular golfing partner of many of the reformist middle-level officers who led the failed revolt.

On Monday, Manila newspapers reported — and the U.S. Embassy confirmed — that another U.S. military attaché, Major Dennis Fowler, who was inside Villamor Air Base at the time of the August coup attempt, had come under fire from both government and rebel troops. His bulletproof car, supplied by the embassy, was struck by bullets. The Villamor base also was held by rebel troops during the coup attempt.

General Fidel V. Ramos, armed forces chief-of-staff, said Saturday that he had investigated Colonel Raphael's actions during the coup attempt and sent a report to the Department of Defense. "We leave it to the civilian authorities to act on the matter," General Ramos said at a news conference.

Some military sources said that they suspect the allegations against the American attaches were being generated by the Ramos faction headquarters. This group is said to be suspicious of the attaches' close ties to the Honasan group, and also angered by the widespread perception in the Philippines that the U.S. defense establishment is privately critical of General Ramos's leadership and of the Philippine military's ability to defeat the communist insurgency.

"It's all a concoction coming from Ramos's people," said one officer with close links to Colonel Honasan. "You could say any attaché who talks to any soldier is guilty of interference."

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Several analysts said the government was in a dilemma — not wanting to escalate the matter and cause a serious diplomatic rift with its key ally and benefactor, but at the same time not wanting to seem reluctant to act on an issue that has aroused intense nationalist and anti-American sentiment.

Mrs. Aquino's political opponents have seized on the issue of U.S. involvement. The Senate minority leader, Juan Ponce Enrile, suggested that any investigation of U.S. interference be expanded to cover the entire tenure of Mrs. Aquino's presidency.

Both Mr. Wright and the House majority leader, Thomas S. Foley of Washington, said Mr. Reagan had indicated considerable wariness about across-the-board spending cuts like those required by Gramm-Rudman-Hollings and other plans being pushed by some Republicans in Congress.

Mr. Reagan told legislators at the meeting that he had proposed a 10-percent across-the-board budget cut while he was governor of California and that the "ceiling had fallen on him," Mr. Wright said.

"I gathered from that he doesn't like the idea of an arbitrary freeze," Mr. Wright said.

Although administration officials continued to emphasize the soundness of the U.S. economy in their public comments, they were less sanguine in private statements. "We are driven by a sense of urgency in these negotiations," one senior official said.

Congressional leaders who attended the meeting Monday said

the session had yielded a broad consensus on goals, but no specifics on how to achieve them.

Mr. Wright said achieving \$23 billion in deficit reduction, required by Gramm-Rudman-Hollings, would be a "very modest goal." "I'd like to set in motion a multiyear process of deficit reduction," he said, adding that he "presumes" Mr. Reagan would be willing to aim for more than \$23 billion.

Democratic leaders in the House were preparing to begin the substantive phase of the negotiations by seeking a package that contains half new revenues and half spending cuts, with the spending reductions apportioned equally between military and domestic programs. That is the same prescription they have used throughout the budget deliberations this year.

Senate Republicans, meanwhile, were expected to push a plan that would yield somewhat higher military spending than Democrats have sought, and that would save about \$2 billion more on the domestic spending side by cutting back on some entitlement programs like agricultural assistance and Medicare.

If some assets sales are added, one Republican aide said, the total could approach \$26 billion to \$27 billion.

Mr. Aquino said that he had received a letter from the U.S. State Department last week. The letter called for a "total freeze" on military spending.

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WORLD BRIEFS

Indians Claim Control of Jaffna

COLOMBO, Sri Lanka (AP) — An Indian official asserted Monday that Indian troops have taken control of Jaffna, although he said a few snipers remain. D.K. Maitra, spokesman for the Indian Foreign Ministry, said in New Delhi that the last remaining pocket of fighters from the Liberation Tigers of Tamil Eelam fell "in the past 24 hours" to the Indian offensive launched Oct. 10.

Mr. Maitra said that Indian troops were clearing the area of mines and booby traps. Indian casualties, he said, were mounting. He said that five Indian soldiers were killed and 28 wounded Sunday, most in mine blasts and that the rebels lost 20 men.

An estimated 56,000 Tamil civilian refugees, he said, were being given food and medical care in about 15 temples and schools, where they had taken shelter during the offensive.

Kim Dae Jung May Set Up Own Party

SEOUL (WP) — Aides to Kim Dae Jung said Monday that the South Korean opposition leader had decided to set up his own political party and run for president as its nominee, breaking away from the party headed by Kim Young Sam.

The move formalized the split between the two Kims and means that both men will be running for president, barring a last-minute compromise. The step came after nearly two months of failed talks between the longtime rivals over selecting a single opposition nominee.

The two candidacies are expected to divide the opposition vote, significantly increasing the electoral chances of Roh Tae Woo, the ruling party's nominee.

Titan Rocket Scores Successful Liftoff

VANDENBERG AIR FORCE BASE, California (UPI) — A Titan-34D rocket was launched Monday to ferry a secret satellite into orbit-in what the air force described as a major success after back-to-back failures.

The launch marked the restoration of the air force's ability to place large spy satellites into orbit, which has not been possible since the Challenger shuttle explosion and two Titan-34D failures in 1985 and 1986.

"This has tremendous significance for the nation's space program," said Edward C. Aldridge Jr., the air force secretary. The success "allows us to resume launching critical national security payloads on a regular basis," he said.

Rebel Clash Reported in Uganda

KAMPALA, Uganda (Reuters) — A Ugandan newspaper reported that about 500 rebels belonging to the Holy Spirit Movement clashed with troops of the government's National Resistance Army near Jinja on Sunday.

The Kampala newspaper *New Vision* said that about 100 rebels were lost and another 60 were captured in the half-hour battle. Government troop losses were not known.

The Holy Spirit Movement is a Christian sect from northern Uganda, led by a 27-year-old self-proclaimed prophet named Alice Lakwena. The army weaponry is superior to that of the rebels, many of whom are armed with stones that they believe explode like grenades when thrown.

Kasparov and Karpov Draw 6th Game

SEVILLE, Spain (Reuters) — Garry Kasparov, the world chess champion, and his challenger, Anatoli Karpov, agreed Monday to draw the sixth game of the championship on the 28th move.

Mr. Karpov leads in the match by 3.5 points to 2.5. Victory in the 24-game series goes to the first player to win six games or score 12.5 points. In the event of a 12-12 tie, the champion retains the title.

GAME 6 ENGLISH OPENING

White Kasparov	Black Karpov	White Kasparov	Black Karpov	White Kasparov	Black Karpov
1. e4	e5	11. Ne3	Ne7	21. Bb4	Rf6
2. Nc3	Nc6	12. Ba3	O-O	22. Na4	Kf7
3. g3	g6	13. Nf3	h6	23. Bc3	Rb3
4. Bg2	d6	14. O-O	Be6	24. a4	Qc7
5. Rb1	Bf5	15. Qd4	f5	25. e3	Bc8
6. d3	Qd7	16. Nd2	Nf7	26. Qe5	Qc5
7. B4	Bg7	17. Rb3	Rab8	27. Bxa5	Nc6
8. b5	Nd8	18. Rb1	Rcb3	28. Bb4	Draw
9. Nd5	e6	19. Rxb3	Rxb3		
10. bc	bc	20. Qa6	Nd8		

For the Record
Vladimir Slepk, a Soviet dissident who waited 18 years for permission to emigrate, received a hero's welcome when he arrived in Israel on Monday. (AP)

Foreign Minister Shimon Peres of Israel told the Knesset on Monday that compensation for Jews who lost property when they fled Arab states should be part of any Middle East peace settlement. (Reuters)

TRAVEL UPDATE

Europeans Confirm New Rail Plan

BRUSSELS (AP) — Five European transport ministers Monday confirmed plans to extend Europe's high-speed rail network, using trains that run up to 125 mph (200 kph).

They decided to authorize each country's national railroad to work out the technical and financial details of its share in the project. Each railroad is to present proposals by March 1, 1988, to review progress.

The project, which would extend high-speed service from Paris to London, Brussels, Amsterdam and Cologne, was estimated to cost \$10 billion. The high-speed system, known as Train à Grand Vitesse, or TGV, already operates from Paris, with service to the south of France and Switzerland.

London City Airport, a new facility built mainly for business travelers, opened Monday, six miles (9.5 kilometers) from the London financial district. (Reuters)

A strike by pilots, flight attendants and technicians paralyzed Alitalia flights from Rome's Leonardo da Vinci airport on Monday, stranding hundreds of travelers. (AP)

A fishermen's blockade in the English Channel forced the suspension Monday of ferry services between the English port of Dover and the French ports of Boulogne and Calais. The fishermen were protesting the extension of British territorial waters from three miles (five kilometers) to 12 miles effective Oct. 1. (AP)

BUDGET: Truce in Deficit Talks

(Continued from Page 1)
only a minimal cut in the deficit in 1988, an election year.

"The speaker is trying to adhere to something that is long-term, that says to the financial markets we are serious," said Representative Tony Coelho, Democrat of California.

Both Mr. Wright and the House majority leader, Thomas S. Foley of Washington, said Mr. Reagan had indicated considerable wariness about across-the-board spending cuts like those required by Gramm-Rudman-Hollings and other plans being pushed by some Republicans in Congress.

Mr. Reagan told legislators at the meeting that he had proposed a 10-percent across-the-board budget cut while he was governor of California and that the "ceiling had fallen on him," Mr. Wright said.

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Congressional leaders who attended the meeting Monday said

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Labor Movement in U.S. Forging a New Agenda

Coping With a Modern Work Force, Unions Bend to Spirit of the Times

By E.J. Dionne Jr.
New York Times Service

MIAMI BEACH, Florida — The American labor movement, whose leaders opened their annual convention here Monday, is embarking on new ventures in organizing and political action as it confronts a changing work force and a national economy that has abandoned many of the rules that prevailed when labor was a dominant force in American life.

At the heart of the challenge to the leaders of the AFL-CIO unions gathering here is a breakdown of the social contract that prevailed in the two decades after World War II, many academics and labor officials say. Throughout that period, rapid economic growth and a broad political consensus guaranteed steady advances in the standard of living of the broad American middle class.

Underwritten by a vibrant manufacturing sector that provided steady wage increases, the political consensus supported programs to expand access to home ownership and college education, leading to a suburban building boom and the expansion of the consumer economy.

Labor played a major role in fostering the consensus, and in the period immediately after World War II, it could count 35 percent of the work force in its ranks. With such strength, its influence extended well beyond its own membership and could force improved labor standards even in nonunion companies, said Stephen J. Schlossberg, a former United Auto Workers official and a former deputy secretary of labor.

Perhaps the high point of the era came when the American Federation of Labor and the Congress of Industrial Organizations merged in 1955 to form a new and seemingly invincible alliance. In 1957, according to the Gallup Poll, 76 percent of the American public approved of unions.

Now, labor's share of the work force stands at about half of its postwar peak, its approval rating has dropped to around 55 percent and the movement confronts an entirely new working population and an environment more hostile to its cause.

Millions of families who could once survive on the income of the male wage-earner now need two paychecks to support the standard of living to which the middle class has become accustomed. Many of the new female workers have part-time jobs, and part-time workers have always been difficult to organize. And the turnover among such workers is often great.

Allen Y. Zack, director of publications and media for the United Food and Commercial Workers Union, said, "A lot of these jobs turn over three or four times a year."

Labor's industrial bastions in steel, automobiles, mining and clothing are in economic decline, and these industries have been replaced by service industries that have often proved resistant to unionization.

Perhaps most damaging to labor has been the rise of a political climate in which individualism is honored and words like "solidarity" seem old-fashioned and somehow inimical to the entrepreneurial spirit of the time. The breaking of the players' strike in the National Football League through the use of "replacement players" is symbolic of the new rules by which labor has been forced to play.

Geri D. Palast, director of politics and legislation for the Service Employees International Union, said there is far less instinctive respect for a union picket line now than there would have been even 15 years ago.

"No one understands labor anymore," she said. "You're almost back to where you started from."

And with the rise of interest rates and college tuitions and the decline or abolition of programs ranging from the G.I. Bill to student loan programs, both private homes and college educations now take up a much larger share of family incomes — and in many cases are beyond reach. This part of the postwar equation has also decayed.

In fact, many labor leaders believe the movement has already hit bottom and is on its way back up. In Congress, labor is pushing a bold agenda that includes mandatory health insurance for all workers, leave for parents of newborn children, a higher minimum wage and a new list of workers' rights, including the right to be informed in advance if a plant is to be shut down.

The labor movement is attacked

'No one understands labor anymore. You're almost back to where you started from.'

— Geri D. Palast, Union official

less than it once was by critics who call it the cause of industrial decline in the United States. Labor leaders can point to years of "give-backs" in which unionized employees agreed to cut their own pay and benefits to help keep companies afloat. Some recent public opinion polls have shown a modest comeback in labor's standing.

And the "restructuring" of large companies, in which employees often found their wages and benefits cut or their jobs eliminated, have created a new climate of worker discontent that union leaders believe will create fertile ground for organizing efforts.

The worry they engender, said Marvin Hrubes of the food workers union, often leads workers back toward unions. "This period of leveraged buyouts and foreign ownership has made people nervous," Mr. Hrubes said.

The sense of new dangers and new possibilities has moved unions in many new directions, some of them heretofore by the old rules. There are also sharp differences in the courses taken by unions organizing newer industries and those seeking to preserve employment in the older ones.

Among the newer approaches is the Service Employees' "Work and Family" campaign, which includes the pursuit of better day care and parental-leave assistance for elderly parents. Parts of the campaign, notably its attack on pay inequities for jobs mainly held by women, are aimed clearly at the growing female work force.

And the Amalgamated Clothing and Textile Workers Union has taken the unusual step of joining with employers to invest in research into new technologies that might save their industry.

The union's legislative and political director, Elizabeth M. Smith, acknowledged that it was unusual for a union to invest in automation and robotics. "We have to do something to save ourselves," she said. "We know it will cost some jobs, but we're looking to save the bulk of the jobs."

Rights Leader Is Killed in San Salvador

United Press International

SAN SALVADOR — Two men shot and killed the president of the Human Rights Commission on Monday as he was dropping his children off at school, the police said.

"It is clear who is responsible," the private group said in a statement after learning of the slaying of Herbert Anaya. "It is the work of death squads tied to the security forces, and we hold the government and their security forces directly responsible."

Mr. Anaya was the last surviving original member of the commission, which was founded in 1979 to monitor human rights in El Salvador. The other members were also killed.

The shooting came a day after human rights groups and church leaders asserted that an amnesty proposed by President José Napoleón Duarte would make it impossible to prosecute members of rightist death squads.

The police said the two gunmen, using automatic weapons with silencers, shot Mr. Anaya at point-blank range.

Witnesses told a radio station that he had escorted his children to school and was about to get back into his car when a pickup truck with the two men in the back killed him.

Mr. Anaya and the commission aid recently that they had been receiving an increasing number of death threats.

In the late 1970s and early 1980s the rightist death squads, often linked to the security forces, killed an estimated 40,000 people, including human rights, union and political workers.



PAYING HOMAGE — The Nicaraguan interior minister, Tomás Borge Martínez, kissed the hand of Bishop Hadley E. Wilson of the Moravian Protestant denomination during a government ceremony in Managua honoring the bishop for 25 years of service as a pastor.

Contra Aides Meet Secretly With Cardinal

By James LeMoyné
New York Times Service

MIAMI — Top military and political officials of the Nicaraguan rebels have met secretly in New York with Cardinal Miguel Obando y Bravo, the Roman Catholic primate of Nicaragua, according to rebel and U.S. officials.

The meeting, which took place Saturday, is significant because the Roman Catholic leader is regarded as one of the few people in Nicaragua who may be able to find a formula for a cease-fire in time to meet the early November deadline stipulated in a regional peace treaty.

The meeting in New York is believed to be the first occasion on which Cardinal Obando has met with the rebels' official cease-fire commission, which includes two rebel military commanders.

Rebel and American officials refused to give details of the meeting. But they said the rebels, commonly known as contras, had insisted again on negotiating a cease-fire directly with the Sandinistas, a demand the Sandinistas have rejected.

Cardinal Obando, who stopped in New York on a flight from Rome and arranged an impromptu meeting with the rebels, has often criticized the Sandinistas. He is a member of a national reconciliation commission in Nicaragua that could help arrange a cease-fire with contra forces.

Contra officials said they had tried to persuade Cardinal Obando to meet officially with the contra political directorate. He refused, however, reportedly saying it was "inappropriate" for him to meet with the rebel directorate when the Sandinistas have refused to do so.

Cardinal Obando has had many private meetings with rebel officials in recent months, according to American and rebel sources, and has been a de facto intermediary between the contras and the Sandinist government.

The Roman Catholic leader's meeting with rebel officials was held as the Sandinistas were experiencing growing international pressure to reverse their stand and agree to negotiate directly with contra leaders, whose campaign is backed by the United States, to end the war.

The fighting has been going on for six years, and more than 40,000 Nicaraguans have been killed.

The Reagan administration is attempting to force the Sandinistas to concede on the issue of talking directly with the contras, according to senior American officials.

After first seeing almost no value in the regional peace treaty signed in August by five Central American presidents, the administration now sees merit in forcing the Sandinistas

to comply with its provisions calling for a full amnesty for political prisoners and a negotiated cease-fire to end guerrilla wars in the region, the officials said.

The administration has made a calculated judgment that the Sandinistas cannot afford to release their jailed political opponents at a time of widespread popular discontent inside Nicaragua. They have also decided that they cannot afford to grant the rebels a degree of political legitimacy, one administration official said.

Contra officials said in interviews that their strategy is to press

the Sandinistas as hard as possible for political concessions, while stepping up military attacks.

The rebels recently carried out the most politically impressive and militarily damaging series of attacks in recent years. In addition, they appear to have increasingly mastered the use of missiles provided by the Americans. They are regularly shooting down Sandinist aircraft, including two more combat helicopters this month.

Contra officials say their forces will soon carry out other major attacks, a pledge they may not be

Chile and Panama Supplying Bombs To Nicaragua, U.S. Officials Assert

By John M. Goshko
Washington Post Service

WASHINGTON — In a covert arrangement with the rightist regimes of Panama and Chile, Nicaragua's Marxist Sandinistas have obtained cluster bombs to drop on U.S.-backed guerrillas, according to U.S. officials.

The officials said the United States has reliable intelligence that Nicaragua and Chile, which do not have diplomatic relations, have used Panama as middleman in the transactions, which began three to four months ago.

The officials said Panama purchased an unspecified number of cluster bombs from Ferrimar, a Chilean armaments maker with close ties to the Chilean military government, then transferred them secretly to Nicaragua.

Cluster bombs spread shrapnel over a wide area. Many human rights and disarmament activists have denounced their use as inhumane. The United States stopped sending them to Israel following

allegations that Israel improperly used them during the 1982 invasion of Lebanon.

Spokesmen in Washington for the three countries said they had no information about such a sale.

Bosco Matamoros, a spokesman for the Nicaraguan rebels, or contras, said that the contra forces inside Nicaragua had recovered several cluster bomb canisters used against them by Nicaraguan government forces in bombing raids on Oct. 7, 8 and 10.

He added that Cyrillic markings indicated the bombs were Soviet-made, and he said the contras had no evidence that Nicaragua was using similar weapons made in Chile.

U.S. officials, while declining to offer specific information, insisted the cluster bomb sales took place. They also said the United States is certain that Chilean-made cluster bombs were used in recent air attacks by Nicaraguan forces against the contras.

The officials cited the alleged arms transfer as an example of what one called "a pariah's international," in which various authoritarian Latin American regimes cooperate with each other despite wide ideological gulfs.

President Daniel Ortega Saavedra of Nicaragua and Sandinist government leaders are acknowledged Marxist-Leninists with close ties to Cuba and the Soviet Union, while Chile's president, Augusto Pinochet, is a staunch anti-Communist.

The Panamanian military leader, General Manuel Antonio Noriega, has close ties to Mr. Ortega and to President Fidel Castro of Cuba.

Chile and Nicaragua, U.S. officials said, have set up secret meetings periodically in Panama and other countries.

After the United States cut off military sales and aid to Chile in 1976, the Pinochet government en-

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INTERNATIONAL Herald Tribune

On Space, Meet Halfway

America was thrown into an understandable panic when the Soviet Union launched its Sputnik, the first space satellite, 30 years ago. But Washington is overreacting to the latest shocking space threat: a Soviet offer to launch payloads at unbeatable prices...

For Rejoining UNESCO

The coming exit of Amadou Mahtar M'Bow as director-general of UNESCO is welcome in itself and for the signal it sends to entrenched bureaucrats in other international organizations...

Bork Without the Myths

The vote on Robert Bork is in danger of passing into history but into folklore. The dueling ballads are already being written on both sides. The forces of good or evil defeat a badly needed reform to first principles or an underhanded effort to reverse a quarter century of social progress...

Other Comment

The Bills Are Coming In
The events of the last few months have been trying to tell America something about its mindless excesses. There has been saying you can't run a government on credit cards, that the politics of blame won't solve our problems at home or abroad...

Needed: Help for Children in War Zones

By Thomas Hammarberg

STOCKHOLM — Two important peace initiatives are being tested at this moment, one in Sri Lanka and the other in Central America. There seems to be some chance that the wars in both places will come to an end...

How Do We Wage War On Piracy?

By Richard Reeves

LONDON — Stephen King, a clothing designer with a shop of his own in Chelsea, had a burglary the other night. The fifth this year, Scotland Yard says there are five or six similar break-ins each week...

China: The Party Can Talk but the Problems Remain

By Patrice de Beer

PARIS — As the 13th congress of the Chinese Communist Party moves slowly toward its conclusion in Beijing, although far from intentional, it is clear: The reforms launched almost a decade ago by Deng Xiaoping, China's paramount leader, have lost their momentum...

you can solve problems only while pushing reforms forward. Others favor a pause — if not more. The same goes for political reform, through which Mr. Deng sees a way to strengthen the party's leadership of the country...

India: Being a Major Regional Power Has Its Price

By S. Nihal Singh

NEW DELHI — There can be no denying that India is in a most difficult situation in Sri Lanka. But the crescendo of criticism that the Indo-Sri Lankan accord of July 1986 has attracted in India denigrates a remarkable agreement and provides no answers to the horrendous tasks facing India in the island nation...

captured by the Sri Lankan forces had inevitable emotional fallout. Even as the Tamil militants braced themselves for a tougher Indian stance in securing the surrender of arms, they engineered a series of massacres of Sinhalese in the east to try to spike the accord, banking on the backlash that inevitably followed...

Hear a Latin Lesson in Democracy

By Stephen S. Rosenfeld

WASHINGTON — The way Latins speak of democracy makes some people in other parts of the world roll their eyes in quiet mockery of the emotion, floridness and hyperbole that are often on view. This response not only does the Latins a considerable injustice but impedes an understanding of the most powerful force operating in Central America for peace...

100, 75 AND 50 YEARS AGO
1887: Mozart Honored
PARIS — The centennial of Mozart's "Don Juan" was celebrated last night [Oct. 26] at the Opera, with touching respect. Between the first and second acts the curtain arose and disclosed a beautiful white marble statue of Mozart. The moonlike rays of electric lights falling obliquely brought into dazzling relief the fine cut character lines of the great composer's features...

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NEW YORK — [The Herald says:] The Secretary of the Navy, John Meyer, shows that the path of naval glory leads straight to the junk-pile.

OPINION

How Smiling Mike Got Nasty And Pulled a Double-Cross

By William Safire

WASHINGTON — "When sorrows come," said the king in "Hamlet," "they come not single spies, but in battalions!" Trust Mikhail Gorbachev to take full advantage of Ronald Reagan's tribulations — the defeat of his Supreme Court nominee, the shock of the stock market plunge, the illness of the First Lady — by breaking his repeated promises of a treaty-signing summit meeting.

Just as at Reykjavik, the Russian leader dangled all sorts of arms reduction goodies before Secretary of State George Shultz, causing the Western world to salivate. Then, in a classic double-cross becoming known as "last-minute linkage," Smiling Mike became stony cold and tied everything to abandonment of testing of the American nuclear shield.

You might think Americans would learn from this treatment that Mr. Gorbachev's assurances are meaningless, his negotiating technique duplicitous, his commitment to equitable arms reduction spurious. You would assume Mr. Reagan would learn that the more he shows his eagerness for a summit meeting, the higher the price the Russians will make him pay.

But Mr. Shultz blandly says he will wait for the Soviet double-cross in writing. A New York Times editorialist promptly demands that Mr. Reagan start "compromising on his star wars' dream." Next, we can expect that the Democratic Senate, having just turned down a justice for being too legalistic, will embrace the legalisms of Senator Sam Nunn in supporting the Soviet interpretation of the anti-ballistic missile treaty. And America's bedazzled Kremlinology corps, eagerly awaiting the Soviet leader's propaganda tract, "Perestroika," \$500,000 advance from Harper & Row, will assure us that the last-minute linkage is not the fault of Smiling Mike but comes only from his enemies, who keep getting ousted or killed in helicopter crashes.

Now is the time for Ronald Reagan to forget his photo opportunity in history and to remember America's place in the world. Under pressure from both the double-dealer in the Kremlin and dovish Nunnites in the Congress, he should react not angrily, like a summitizer spurned, but coolly, like the leader of a superpower.

How much further proof do we need that the Russians regard his Strategic Defense Initiative as the answer to their intercontinental missile dominance? The Russians evidently know something about the future technology's ability to knock down missiles that our Union of Worried Physicists and Flippant Editorialists do not know. Mr. Gorbachev hopes to outwit or outwait Mr. Reagan on what is the central strategic issue of our time; he cannot be allowed to succeed.

First, the president should send a clear message that he will not be victimized a third time by last-minute linkage. He should appoint General Edward Rowley to a new post of arms reduction czar. The Soviet side knows him to be an experienced, hard-line negotiator who speaks Russian fluently; Mr. Shultz and Max Kampelman are patriots and will put the need for a switch in time ahead of any personal considerations.

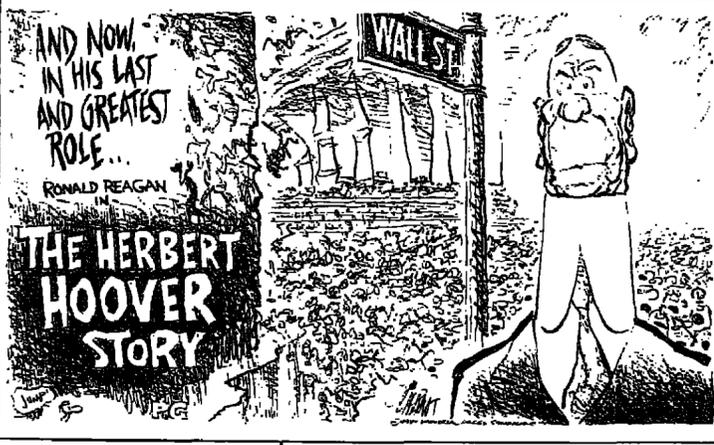
Next, in the Rowley Round at Geneva, it should be made plain that the Start negotiations, on the reduction of long-range missiles capable of hitting the United States, take first priority. America should seize the Soviet desire for linkage: the negotiations on intermediate-range missiles that the Russians desire, on missiles capable of hitting the Soviet Union from Europe, will have to wait until the Kremlin gets serious about reducing the missiles that threaten the United States. You want a package? Fine; you will remain within medium-range missile range until you get serious about a package.

Third, Ronald Reagan should make clear that the red carpet is going to be rolled up and mobilized in March: He will pay nothing for the privilege of showing Mr. Gorbachev around. The next opportunity for a summit meeting will not roll around until late 1989, if that soon, under the next president; the Democratic candidates, as well as Mario Cuomo, should be ready to say that delay will get the Russians no easier terms.

To show that America means business, it should go all-out now on building a nuclear shield. The inexorability of deployment will provide the only incentive for Mr. Gorbachev, or his waiting replacement, to stop the duplicitous minut and make a deal on arms reduction and space-defense cooperation.

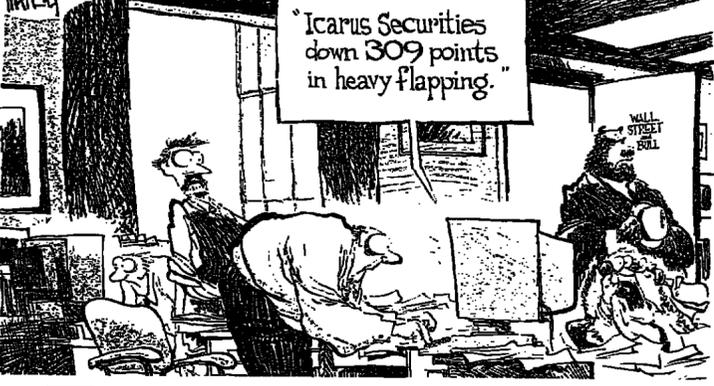
Mr. Gorbachev is aware of the battalions of sorrows marching on the Reagan presidency, and senses he has the battered Mr. Reagan at his mercy. We will soon see if he has miscalculated his opponent's strength of character.

— The Independent (London). The New York Times.



The biggest mistake made by most individual investors is in expecting that the market will be rational.

— Robert C. Kirby, a broker.



Spiritual Ingrates, We Forget Our Debt to Plato and Parents

By William F. Buckley Jr.

NEW YORK — When I was 13 years old I was chaperoned here and there, along with two sisters of about the same age, about the greater environs of London. My music teacher, whom I loved and still do, was by my side when I went to the counter of a souvenir shop in Stratford-upon-Avon and paid out three or four shillings for Shakespearean sundries I had picked out. An elderly lady took my money, withdrew from the display case a tiny one-square-inch edition of "Romeo

and Juliet" and, smiling, gave it to me. A gift. I took the sylvan she had just before given me in change, and deposited it in her hand. A reciprocal gift.

Once outside, I received a kind but resonant rebuke from my music teacher. I had done an offensive thing, she instructed me. A gift is a gift, she told me. I must learn, she said, to accept gifts. They are profaned by any gesture of automatic reciprocity.

Many years later I read, in some biography or other of Abraham Lincoln, about an episode that had briefly stalled the receiving line at the White House with corporate embarrassment. A lady in the receiving line, after taking the president's hand in formal greeting, stuck forward with her left hand a huge bundle of long-stemmed roses, depositing them in Lincoln's hand. The president — and the receiving line — were immobilized. Abraham Lincoln smiled. And said, "Are these really for me?"

"Yes," the guest replied, beaming. "In that case," Lincoln said, "I can think of nothing that would give me more pleasure than to present them to you." The flowers were returned; there were smiles all the way around. The lady took back her roses, smiled in turn, and the time moved on.

That is a singular exception to my music teacher's injunction about the social sin of reciprocal gifts. Few people, in public life or private, have managed — indeed, could manage — such extemporaneous grace.

Many years went by. And then, a fortnight ago, I received on my trusty electronic MCI a message from a friend, a computer expert. He said that the retrieval system I had yearned for, which would permit me to locate individual book titles in my library via my computer, had been completed. He had worked on it (in the interstices of his busy schedule) for more than a month. "It is yours," his message read, "as a belated Christmas present."

I flashed back on MCI (this is the only hazardous aspect of that wonder-

ful system, the temptation to make an on-the-spot reply) that I insisted that he send me a bill for his professional services. One minute later, my mind traveling back to the little old lady at the souvenir store at Stratford, in later dejection I shed the grown-up equivalent of tears at my gaucherie.

The unrequited gift is, in Edmund Burke's phrase, one of the unbought graces of life. The effort there and then to repay scars the transaction. What is left is a fatally devalorized event. The spontaneous, or, for that matter, the long-simmered appreciative gesture, is X-rayed into its desiccated atomic parts.

The universal offense, remarked by Ortega y Gasset as the mark of the masses in revolt, is that of the Westerner — rich or poor — who accepts without any thought of any debt incurred the patrimony we all enjoy, those of us who live in the free world.

The unrequited gift is, in Edmund Burke's phrase, one of the unbought graces of life. The effort there and then to repay scars the transaction. What is left is a fatally devalorized event. The spontaneous, or, for that matter, the long-simmered appreciative gesture, is X-rayed into its desiccated atomic parts.

To fail to feel gratitude, when walking through the Metropolitan Museum in New York, or when listening to the music of Johann Sebastian Bach, isn't to profane the generosity of the lady behind the counter at Stratford-upon-Avon, but to decline to express, however clumsily, our gratitude for the fruits of genius, for the generosity that gave us the lives we lead.

Universal Press Syndicate.

LETTERS TO THE EDITOR

A Diminished Foreign Service Hurts America and the World

As a second-generation member of the U.S. Foreign Service, I thank you for publishing recent articles and editorials on the unprecedented damage being done to U.S. diplomacy by the current budgetary and political attacks on the State Department. Unlike other departments, more of State's budget goes to maintain its personnel, scattered over an increasingly dangerous, expensive and technically complex world, than to administer programs or purchase equipment. This is why major budget cuts weaken the backbone of the Foreign Service — the professional officer corps — with more crippling effect than equal cuts elsewhere. The forced closing of 15 overseas posts and the elimination of almost 1,300 jobs, as just the first of a series of cuts, is foolish and shameful for a country with such vast resources and responsibilities.

The great majority of Foreign Service officers I have known over 25 years are able, hard-working and dedicated. The diligence with which State is now eviscerating itself is characteristic of the loyalty and energy with which, despite distorted charges to the contrary, it has effectively implemented the varying foreign policies of successive administrations.

As a taxpayer, I support frugality in America's sprawling government, but I am profoundly distressed by the devastation that reckless and petty cost-cutting is wreaking on a diplomatic service of vital importance not only to the United States but to stability around the globe. I can attest that the hamstringing of the State Department is forcing many experienced officers to consider other career options.

ROBERT K. BOGGS, U.S. Embassy, New Delhi.

Again we face the annual ritual of reducing the State Department's overseas budget. For one who spends a good deal of time abroad, it is hard to contrive a rationale for such shortsightedness. The amount of money to be thus saved is statistically insignificant in the U.S. budget, while the activities of overseas American libraries, cultural centers and intellectual exchanges are the envy of the nation's adversaries.

Why not just tie up the battleship Iowa and supporting fleet in Norfolk, Virginia, for a few weeks, then use the savings to support America's cultural presence abroad? This would not jeopardize security one whit, but would help sustain an overseas presence that has brought both pleasure and great understanding of the American people and their purposes. Even hard-nosed conservatives ought to detect a bargain when they see one.

RICHARD C. WADE, Helsinki.

Regarding the opinion column "The Legislators Seem to Think State Is a Menace" (Oct. 21): I agree fully with Elliott Abrams that the State Department is being unfairly punished. The personnel cuts will hit hardest among low-ranking staff people, whose services are essential to the department's day-to-day functioning.

A look at the last few promotion lists will show large numbers promoted to the very highest levels and very few promotions in the low and middle grades. The department is so top-heavy it is ready to tumble. Yet in the face of budget cuts, promotions continue.

Mr. Abrams does not mention other areas of funding that are growing by leaps and bounds: the hundreds of millions of dollars being spent to upgrade embassy security, much of it wasted; the tens of millions being spent on the old and new embassies in Moscow; a rise in the number of shadowy intelligence types in embassies; and the burgeoning use of computers.

Let the Young Fight Prejudice

On Sept. 28 you carried a report about 16 Jewish students from Stanford University in California who spent two weeks in West Germany ("Painfully, Young U.S. Jews Get to Know Germans"). I was one of the young Germans they met. I spoke to some of them about their impressions. The experience was thrilling — to sit opposite a young Jew and talk about something neither had been involved in but both felt emotionally. There was a feeling on both sides that is difficult to describe.

Two weeks later I attended a party for them given by Chancellor Helmut Kohl. There was no prejudice or bitterness anymore; they were young people like us. I wanted to hug them. One of the students, named Daniel, told me: "My parents did not want me to come here. Now I am happy that I did it."

To all parents who still remember the Holocaust and do not want their children to visit Germany, pray let them come! This is the only way we can destroy prejudice on both sides and yet keep alive the memory of a period that none of us wants to be repeated.

ALEXANDER SCHONBURG-GLAUCHAU, Munich.

Don't Sneer at the Changing East

With the tarrying summer there exists here in Berlin a feeling of hope as we await winter. In China and the Soviet Union, people are openly considering the possible errors of a dogma. My prayer is that we in the West will not use this time of questioning in the East for minor tactical political advantage. This is no time to rail over past wrongs or threaten the future.

As a soldier, I feel I defend one thing only — that any man, subject to his conscience, and laws made with a view toward the common good, has the right to be mistaken. I would like to think, as rich as we are in the West, we could allow ourselves to extend the protection of this right to those governments in the East now trying to change and grow. Let us give them the opportunity we have had all along and so proudly boast — to be free to admit they have been mistaken; and have the good manners not to ridicule what has been for them an honest effort to govern.

DENNY R. CUTSHALL, Berlin.

At Sea Over a Photograph

The Page 1 photograph in your Oct. 6 edition is neither a warship nor is it shadowing anything. Can some photographer be having fun?

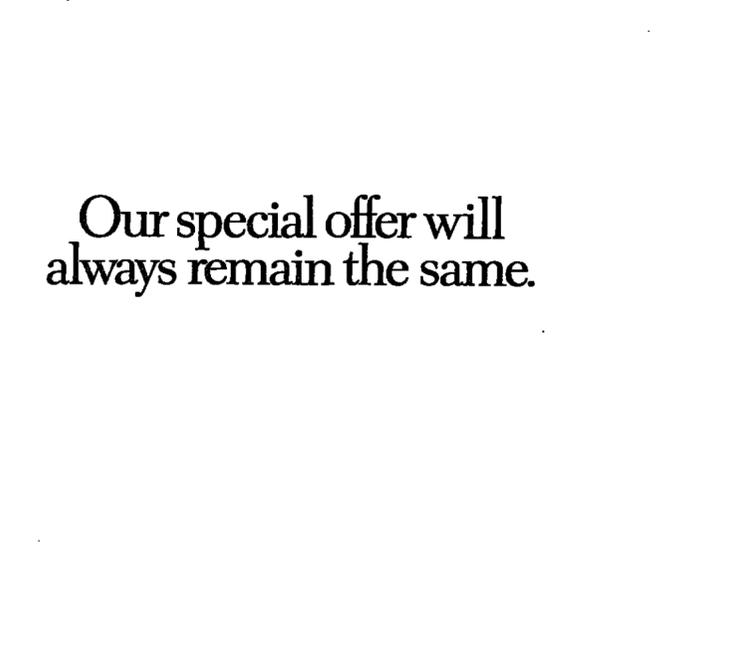
C.D. HOWARD-JOHNSTON, Rear Admiral, Anglet, France.

Button, Button, Who's Got ...

Since the blazer has become almost a uniform for men, could any of your readers advise on the number of metal sleeve buttons to be worn? Normally one sees two or three, sometimes even one, but I understand Prince Charles wears four on his blazer sleeve.

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NATO Friction Is Sharpening Over Technology Export Issue

By Joseph Fitchett
International Herald Tribune
PARIS — Friction in NATO over the export of sensitive technology to the Soviet Union appears to be sharpening as the U.S. Congress becomes more directly involved in the issue.

Legislation under consideration by both houses of Congress would restrict exports of most U.S. technology to North Atlantic Treaty Organization allies, Japan and other countries if those nations impose adequate safeguards to prevent the technology from being re-exported to the Soviet bloc.

But as a high-level U.S. delegation arrived in Europe last week for exploratory talks on the proposed changes in technology-control policies, Pentagon officials publicly and privately criticized France for what they said was lax enforcement of export control laws.

A diplomat involved in alliance negotiations on technology said, "It's a shock to public opinion in some allied countries to be publicly berated by the United States on a subject that seems so technical."

He was one of several similarly placed U.S. and European officials who said that some conservative members of Congress and Pentagon officials might calculate that well-publicized criticism of the allies could create enough turbulence to upset a Reagan administration effort to liberalize technology transfers throughout the Western alliance and with Japan.

The Pentagon officials cited two cases as evidence that France cannot be trusted to protect technology. One case concerned an exporter of microchip-manufacturing equipment who is under investigation, and the other involved Rater-Forrest, a machine-tool maker that sold embargoed tools to the Soviet Union in 1976 and has since gone out of business.

Simultaneously, Senator Jesse Helms, Republican of North Carolina, announced in Washington that he had admonished the French ambassador, Emmanuel Jacquin de Margerie, about the Rater-Forrest case.

The Reagan administration, apparently alarmed that these remarks would poison U.S.-French talks, quickly denied that the Rater-Forrest sale, which dated to 1978, had given the Soviet Union any significant new naval ability.

Congress reacted strongly to disclosures this spring that the Toshiba group in Japan and Kongsberg Vapenfabrik in Norway had sold computerized milling machinery to the Soviet Union that could be used to make submarine propellers significantly quieter.

In lobbying to head off U.S. reprisals, Toshiba and the Norwegian authorities both started investigations, which confirmed their own companies' violations but also found that companies in other countries had committed similar offenses.

The Norwegian report named, in addition to Rater-Forrest, three West German companies and an Italian concern as well as a British company that was said to have sold embargoed equipment to China.

Within hours of the report's becoming public, the four European governments were asked to satisfy the Senate that the allegations were being fully investigated. Bill Triplett, a Senate Foreign Relations Committee staff member, was quoted saying that France had already been asked twice for explanations.

French officials were irate in private conversation about U.S. reports concerning a case dating back to the mid-1970s. France is generally credited with being second only to the United States in vigilance on technology.

Since French intelligence agents obtained a Soviet dossier in 1981 documenting Soviet military use of Western commercial technology, "France and the United States have worked well, and at the highest level, on this issue," said Francois Heisbourg, director of the International Institute of Strategic Studies.

But Mr. Heisbourg said, "Extremists in Washington can drive this issue in a way, particularly with publicity, that handicaps European governments' ability to cooperate on many issues."

"Fears of U.S. behavior on this score," he said, "were a factor in inhibiting European participation in the Strategic Defense Initiative and closing the door to U.S. participation in the advanced fighter European consortium is building for the 1990s."

The impact of the political pressure tactics practiced by members of Congress is a new complication for allied leaders. In Norway, compliance with U.S. regulations has been more controversial than diplomats expected.

"The episode has aroused unprecedented anti-American feeling right across the political spectrum," said a former U.S. diplomat who lives in Oslo.

Domestic political complications of this kind partly explain the Reagan administration's proposals to overhaul the technology-trade arrangements.

A report by the National Academy of Sciences this year concluded that it was fruitless to continue tightening controls on U.S. technology at a time when allied countries are themselves producing more of the technology sought by the Soviet Union.

The report recommended relaxing U.S. controls toward allies and persuading the alliance as a whole to tighten safeguards.



TRIAL REOPENS — John Demjanjuk, left, the retired Ohio auto worker accused of Nazi war crimes, conferring Monday with his lawyer, John Gilo, as his trial resumed in Jerusalem after a two-month recess. Mr. Demjanjuk, 67, is accused of operating gas chambers at the Treblinka death camp, where about 850,000 people died in 1942-43.

Polish Union Declares Boycott of Referendum

By Jackson Diehl
Washington Post Service
WARSAW — The banned Solidarity trade union called Monday on Poles to boycott a government referendum next month on proposed economic and political reforms, saying "society should not take part in an undertaking of a purely propaganda nature."

The call, contained in a statement signed by Lech Walesa, posed a potentially serious obstacle for the government of General Wojciech Jaruzelski in its effort to mobilize a long-apathectic society through the referendum campaign.

The move also indicated that the long-standing impasse between General Jaruzelski's leadership and the Solidarity-based opposition will not soon be affected by the general's decision to pursue a new reform program.

"One should remember," said the Solidarity statement, "that the country is ruled today by the same group that six years ago quashed society's democratic aspirations by introducing martial law."

The Polish Sejm, or parliament, approved two questions last Friday on which Poles are supposed to

vote Nov. 29, indicating their support for a "radical cure" of the economy and a Communist model for "democratization of political life." Government strategists see the initiative as a way of winning a mandate for painful and potentially explosive economic measures, including drastic increases in prices.

General Jaruzelski has pledged that the new political model will include a series of liberalizing reforms, such as more authority for local governments and more competition in elections. Officials have hinted in recent months about talks with Solidarity advisers and efforts to recruit opposition activists for new advisory bodies.

The union's call appeared to increase significantly the risks of the vote for the government. Previous calls for Solidarity for boycotts of elections, in 1984 and 1985, resulted in abstentions reported by the government at 22 to 25 percent. Solidarity put the figure far higher.

At the same time, according to the newly passed law governing referendums, more than 50 percent of all eligible voters must vote "yes" for a referendum proposition to be binding. Consequently, a "no" vote combined with abstentions at the level of the past two elections apparently could lead to the defeat of the government proposition.

Walesa's statement, while committing Solidarity to a major battle for public opinion, also announced a reorganization of the union that abolished the clandestine Temporary Coordinating Commission, the leadership group founded in 1982 that organized Solidarity's clandestine printing operations and factory committees and called dozens of anti-government protests.

The Temporary Coordinating Commission and an above-ground "temporary" council created last year were replaced by a national executive council headed by Mr. Walesa, according to the statement.

U.S. B-1 Bombers to Cost an Additional \$6 Billion

By Molly Moore
Washington Post Service
WASHINGTON — The U.S. Air Force's B-1 bomber program will cost \$6 billion more for 100 aircraft than the Reagan administration originally stated, according to a congressional report.

Most of the \$6 billion covers items purposely excluded from the original price tag of the strategic bomber by an administration eager to prove it could meet congressional-imposed spending limits, the report says.

The report by the General Accounting Office, an investigative arm of Congress, said some of the cost increases also would be needed to correct major problems with the bomber's defense avionics equipment and flight controls.

Although the report said the baseline, or basic cost, of the B1 was expected to increase only slightly over the \$20.5 billion ceiling set by Congress in 1981, it said the program would need to spend much of the \$6 billion on maintenance, spare parts and flight-training simulators that were not included as part of the base program.

"The point here," said Representative Les Aspin, Democrat of Wisconsin, "is that the baseline number that everyone has focused on for years is a paper number that does not really reflect the true cost of what it will take to build 100 B1s and place them in the inventory."

Mr. Aspin, chairman of the House Armed Services Committee, had requested the study.

But an air force spokesman said:

"The cost conclusions are misleading. The B-1 costs do not exceed expectations. The costs to acquire the weapons system, as well as support costs to deploy and operate the weapons system, have been programmed and included in all of the budget requests to the Congress."

Congress set strict spending limits on the program in 1981. Pentagon officials said they could remain within the budget, and they did so by deleting many items from the original budget.

Now the air force is planning to return to Congress and request that some of those items be financed outside the base costs, according to the General Accounting Office.

Iranians Say a Rebel Army Is Causing Problems

By Kamran Khan
Washington Post Service
TEHRAN — Iranian officials have confirmed that military actions staged by the rebel Iranian Liberation Army, made up largely of army dissidents, are causing problems for Iranian forces in the war against Iraq.

"Hit-and-run strikes by unformed counterrevolutionaries have resulted in the deaths of dozens of Revolutionary Guards in western Iran," an Iranian official said.

Masoud Rajavi, the leader of the rebel Mujahidin Khalq, announced the formation of the rebel army in June, with strong backing from Iraq. Baghdad has reportedly provided training equipment and staging grounds for the unit's operations, as well as a headquarters in the Iraqi capital.

Despite numerous claims of successful raids, however, it has been unclear what impact the unit has had on the Iranian government of Ayatollah Ruhollah Khomeini.

The size of the rebel army and

state of its training remain unclear. In recent weeks, however, the Persian-language press has started low-key coverage of operations of what they call the "liars."

The newspapers Ettelaat and Jahandori Islam published photographs three times in the last month of Revolutionary Guards who have been killed in clashes with dissident forces.

Activities of the dissident forces also have led to stepped up security in Tehran and other cities, according to officials.

Mujahidin leaders say their group is not involved in terrorist incidents reported in various Iranian cities, but the authorities invariably blame them for bombings and other incidents.

In Tehran, all government offices are heavily guarded, and people entering the buildings are searched.

Although the Iranian authorities generally blame Iraq and other Arab nations for the activities of the dissident forces, Pakistan also has come in for criticism recently.

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In East Erodes

By the Tagline

Poland's President, Lech Walesa, has been elected to the office of President of the Polish People's Republic. He is the first freely elected leader of the country since 1945. He is the first leader of the country since 1945. He is the first leader of the country since 1945.

Pakistan Is Not Easy

By the Tagline

ISLAMABAD — Pakistan's government has asserted its position on the conflict in which Sikh forces are engaged against communist militant groups. The government has asserted its position on the conflict in which Sikh forces are engaged against communist militant groups.

Chinese Bus Plunges

By the Tagline

BEIJING — A bus full of commuters in Beijing plunged into a river on Monday, according to a newspaper received by the Tribune.

Soviets Confront Their History

For the Revolution's Anniversary, a Lifting of the Veil

By Philip Taubman
New York Times Service

MOSCOW — With the approach of the 70th anniversary of the revolution, Nov. 7, the Soviet Union is engaged in a fructuous exploration of long-veiled chapters in its history.

The historical inquiry has divided scholars, provoked an acrimonious public debate and produced signs of friction among political leaders, particularly Mikhail S. Gorbachev, the Soviet Communist Party general secretary, and Yegor K. Ligachev, the number two party leader.

Although the process has not yet led to the opening of most sealed archives and has cast only the first rays of light on some sensitive periods, it has brought the country to the brink of several major steps that seemed inconceivable a few years ago.

These include the official rehabilitation of revolution leaders who were later executed by Stalin as well as recognition of the achievements of Nikita S. Khrushchev, the dishonored former leader.

The re-examination, plowing ground first broken under Khrushchev 30 years ago but mostly fallow during the era of Leonid I. Brezhnev, is expected to reach a pivotal point on Nov. 2 when Mr. Gorbachev gives a nationally televised address marking the anniversary of the revolution.

Communist Party officials familiar with Mr. Gorbachev's plans said he would deal candidly with the seven decades, giving the country a revised and more complete historical record even as he paid traditional homage to Lenin and the achievements of communism.

Vitali A. Korotich, an editor who has championed the cause of openness and used his magazine, Ogonyok, to delve into history, said: "Gorbachev's speech will give us back our past, both the good and the bad, so we may create our future."

A candid assessment of the historical record seems to many Soviet citizens a necessary corollary to Mr. Gorbachev's domestic programs and a prerequisite for further change.

His domestic policies, including a decentralization of economic management, an easing of press and artistic censorship and increased tolerance for dissent represent a partial dismantling of the Stalinist system.

Many Soviets will be disappointed if Mr. Gorbachev, who has called for greater openness in all aspects of life, does not rehabilitate repudiated leaders such as Nikolai I. Bukharin, Grigori Y. Zinoviev, and Lev B. Kamenev, acknowledge Leon Trotsky's role in the revolution, and recognize Khrushchev's contributions.

These and other historical figures, long excised from the official record, have reappeared in newspapers and scholarly discussions in the last two years, but the party has not publicly adopted a new position on their status.

Attention is riveted on these issues in a way not fully appreciated in the West. The visit of Secretary of State George P. Shultz and Mr. Gorbachev's unexpected refusal to commit himself to a visit to Washington this year were almost lost in the preparations for the anniversary commemorations.

Mr. Gorbachev himself has been preoccupied in recent weeks with the planning, and he reportedly spent the day before Mr. Shultz's arrival discussing his scheduled Nov. 2 report with the Central Committee.

The Soviet news agency Tass reported that the committee had endorsed "the main provisions and conclusions" of the report, suggesting that there may not have been support for everything he proposed. Soviet officials said there had been a lively debate.

In recent months a number of senior party officials, sounding less enthusiastic about the reopening of history than Mr. Gorbachev, have called for restraint.

Mr. Ligachev has several times appealed to scholars and editors not to discredit the achievements of the communist system.

At the moment the boundaries of historical research are shifting.



A Lenin banner was part of early celebrations of the Bolshevik Revolution's 70th birthday.

The range and penetration still fall far short of Western standards of openness, and sensitive archives, including those from the revolution and the Stalin period, remain sealed despite promises to unlock them.

Lenin is still treated as a demigod, with no sign that that will change. Western historical works about the Soviet Union are available to most historians.

In addition, candid discussion about past problems has not always translated into a willingness to change the practices to which they gave birth.

Reports about the hardships of collectivization, for instance, have not been followed by any serious consideration of dismantling the system of huge government farms that many Western experts believe crippled Soviet agriculture.

Because of these limitations, the revival of historical interest and research — which has filled the newspapers and magazines with articles and letters — has been marked by uncertainty about what "white spots" can be filled in and has generated a noisy debate about the propriety of exploring the past.

The government, for example, recently initiated a series of meetings involving historians and Soviet and foreign reporters, apparently hoping to give the press a firsthand taste of scholars' increasing freedom.

At the first session, on Oct. 9, Yuri A. Polyakov, a historian, said the vast majority of the victims of Stalin's purges had been innocent of the crimes for which they were convicted and executed.

"Stalin cleverly used the climate of the period to get rid of people who had opposed him in the past," he said.

In general, Mr. Polyakov seemed cautious. He rejected Western estimates that more than 10 million people had died during the Stalin terror, saying that 1 million was a more realistic number.

A discussion among historians reprinted in the August issue of *Kommunist*, an influential journal of the Central Committee, also reflected the crosscurrents in historiography.

Mr. Polyakov, a participant, said: "Our evaluations of Khrushchev are strictly negative, and I think it's wrong. Life should not be pictured only in black and white."

The reopening of the Stalin era, pioneered by Khrushchev's startling disclosures in 1956, has been renewed after 20 years of indifferent study under Mr. Brezhnev.

Current scholarship and recently published literary works like the novel "Children of the Arbat" by Anatoli N. Rubakov, have focused attention on Stalin's terror and its lasting effect on society. In Khrushchev's period the disclosures concentrated on Stalin's dismemberment of the party.

Yuri Afanasiev, who heads the Moscow Institute of Historical Archives and has led the drive to investigate veiled periods, suggested that the terror reflected a systemic weakness rather than the irrational behavior of a single leader — a point Western historians have weighed decades to hear from a Soviet counterpart.

Stalin's brutal campaign to nationalize agriculture and end private farming in the late 1920s and early 1930s has been publicly questioned.

Writing in *Znamya*, a journal of the writers' union, Vladimir Shubkin, a sociologist, described the period of collectivization as a time of "inconceivable deprivations and hardships."

But the criticism has produced a backlash. In a letter published by the newspaper *Moskovskoye Novosti*, Anatoli Borisov, a historian, accused Mr. Afanasiev of dealing with issues he was not competent to discuss and "slaying into the hands of bourgeois historiography."

Mr. Ligachev, apparently troubled by the new look at Stalin, said in a speech: "In the 1930s this country moved to second place in the world in terms of industrial output, collectivized its agriculture and attained unprecedented heights in developing culture, education, literature and the arts."

The Chinese party has boycotted Soviet Communist Party congresses and revolutionary holidays since the 1960s, when Moscow and Beijing split over ideology and foreign policy.

China to Boycott
Affair in Moscow

MOSCOW — The Chinese Communist Party, rejecting overtures from the Kremlin, has decided to boycott the celebration next week of the 70th anniversary of the Bolshevik Revolution, Soviet and Chinese officials said Monday.

The rejection, while not unexpected, was a pointed reminder that despite Mikhail S. Gorbachev's offer to restore normal relations between Moscow and Beijing, the estrangement between the two nations remains deep.

The Chinese party has boycotted Soviet Communist Party congresses and revolutionary holidays since the 1960s, when Moscow and Beijing split over ideology and foreign policy.

Some Unmentionables From the Past

New York Times Service

MOSCOW — Here are some figures of Soviet history who are officially ignored:

LEON TROTSKY, a principal leader of the Bolshevik Revolution, formulated a theory of a "permanent revolution" that he expected to engulf the world. Once in power, he organized the Red Army. An advocate of world revolution, he clashed with Stalin's concept of "socialism in one country." He was exiled in 1929 and assassinated in Mexico in 1940.

GRIGORI Y. ZINOVIEV opposed the Bolshevik seizure of power in 1917 as premature but went along when a party majority voted for Lenin's plan. As head of the Comintern, he joined Lev B. Kamenev and Stalin in a triumvirate after Lenin's death in 1924, and he led the triumvirate's campaign to remove Trotsky from the party. Stalin consolidated his power in 1926. After



Leon Trotsky

years of infighting, Zinoviev became chief defendant in the first of the "show trials" that Stalin held in 1936. Zinoviev, Kamenev and 13 other Old Bolsheviks were executed on charges that they had conspired to overthrow the government.

LEV B. KAMENEV, Trotsky's brother-in-law, was expelled from the party in 1927, recanted and was given minor offices until his arrest and imprisonment in 1934 as an accused accomplice to the murder in 1930 of Sergei M. Kirov, the Leningrad party chief.

NIKOLAI I. BUKHARIN, a Lenin loyalist and party theoretician, allied himself with Zinoviev and Kamenev against Stalin in the 1920s. He advocated slow farm collectivization and industrialization. Stripped of his official positions after Stalin took control, he briefly edited *Izvestia*, the government newspaper, in 1934. He was executed for treason in 1938.

NIKITA S. KHRUSHCHEV became first secretary of the Communist Party in 1953 after a power struggle that followed the death of Stalin. He was removed in 1964 and died in 1971.

In East Europe, Industrial Growth Erodes National, Cultural Heritages

By John Tagliabue
New York Times Service

KRACOW, Poland — Across Eastern Europe, a crisis of the environment is eroding natural and cultural heritages, confronting Communist governments with major pollution problems at a time when economic difficulties are diminishing the financial resources to deal with them.

In such East German cities as Leipzig and Dresden, buildings spared the ravages of World War II are now subject to the gnawing of polluted air.

In the panhandle where East Germany, Czechoslovakia and Poland meet, an area noted for lignite mining and power generation, the level of water, soil and plant contamination has reached troubling proportions, according to a study by the Wrocław College of Science and Technology in Poland.

Major rivers such as the Oder, which divides Poland and East Germany, and the Vistula, central Poland's largest waterway, are clogged with industrial waste and sewage — the spinoff of rapid post-war industrialization and population growth.

The developing environmental crisis is causing governments all over Eastern Europe for the first time to consider scaling back local industries, like steel and chemicals, in certain areas in light of their lagging environmental effects and poor economic prospects.

"The restructuring of Poland after World War II was largely a

history of industrialization, of transforming an agricultural society into an industrial nation," said Marek Paszucha, Kracow's deputy mayor and an engineer who is also responsible for environmental protection in the Kracow region. "But the restructuring is now showing its negative sides."

There are three principal problems, and that is land, water and the air, involving both noise and pollution," he said. "I stress the last because it is vital. Putting it simply, there are two main sources: industrial production and power generation."

He added: "We know that the technology of our industrial plant and power industries is not the most modern.

The radioactive cloud from the Chernobyl nuclear accident in the Soviet Union 18 months ago, which forced governments to take emergency public health measures, was one pollution development that shook the people of Eastern Europe.

In cities such as Kracow, though, it did not take Chernobyl to let people know that something was wrong.

A lovely southern city on the Vistula, Kracow is an example of many of the environmental problems that beset Eastern Europe.

High salinity in the Vistula from industrial waste and farm fertilizers, and pollution of lesser tributaries that supply some of the city's drinking water, have raised concern.

Now-faceted statues next to the Church of St. Peter and Paul on Grodzka Street, and flanking stone friezes on the sturdy Wawel Cathedral on a hill above the city, are a kind of barometer of the sulfur compounds spewed out by nearby blast furnaces and power plants.

Kracow's old buildings have earned it a place on a list of the world's cultural heritages compiled by the United Nations Educational, Scientific and Cultural Organization, a fact that conveys privileged status among Polish cities. Large sums of money are spent on restoration by the national government and private donors.

The ecological threat has caused a public outcry. The local chapter of Freedom and Peace, a loosely organized Polish opposition group that began with the issue of conscientious objection to military duty, includes environmental activity in its program.

Long before such demonstrations, however, moonlighting ecologists and local scientists banded together in the Polish Ecological Club, a government-endorsed organization that has since spread its activities across Poland to raise public consciousness about the environmental problem.

Communist governments throughout the East bloc seek to channel such activity. In September, Kracow was the scene of a meeting of similar groups from East Germany, Czechoslovakia, Hungary and the Soviet Union.

Pollution is widespread in many Western nations as well, but experts consider the crisis more severe and further along in Eastern Europe. For one thing, Eastern European industry is more heavily concentrated in small areas than in Western Europe or the United States. Also, lack of money and the fact that industrial management and environmental control are in the hands of the same leaders has tended to slow cleanup efforts.

Some economists say that sufficient profitability to permit the industries themselves to pay for pollution-control equipment — rather than expecting the government to supply it — can only come if the mills scale back unprofitable activities, as steel mills in most Western countries have done, and lay off thousands of unnecessary workers. Such measures are unpalatable to the political leadership that fears unemployment and labor unrest.

Pakistan Says Afghanistan Is Not Easing Pullout Policy

Reuters

ISLAMABAD — Pakistan condemned on Monday an Afghan government assertion that it had eased its position on ending the conflict in which Soviet and Afghan forces are engaged against anti-communist guerrillas. A Foreign Ministry spokesman said Kabul's drive for peace with the rebels is in fact "a campaign of disinformation."

Kabul and Moscow, the spokesman said, have asserted that Soviet troops, estimated by the West to number about 115,000, will leave

Afghanistan upon termination of what the say is Western interference in backing the rebels. The Pakistani spokesman said attempts by Kabul to link the two issues in a forthcoming UN resolution were unacceptable.

The UN General Assembly holds its annual debate on Afghanistan on Nov. 9-10; seven previous debates have resulted in large majorities calling implicitly for a withdrawal of Soviet troops from Afghanistan. Pakistan, which is host to rebel bases, is co-sponsoring the resolution with 46 other states.

The Pakistani spokesman said that the Afghan government, led by Major General Najib, had sent emissaries to 50 or 60 countries and was campaigning at the United Nations in advance of the debate. Pakistan has countered by sending its own envoys to more than 30 countries in Africa, Asia and Latin America as well as campaigning at the United Nations.

Chinese Bus Plunge Kills 21

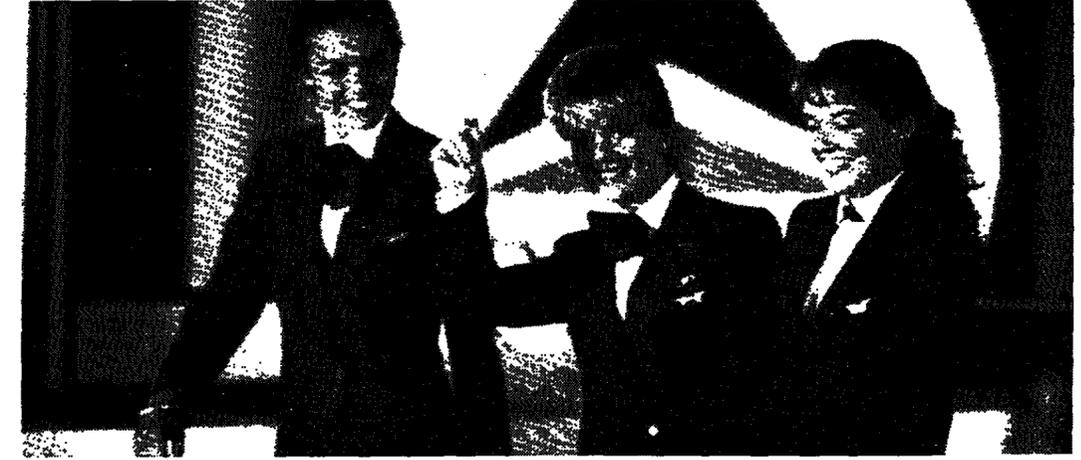
The Associated Press

BEIJING — A bus plunged 30 meters (97 feet) into a ravine in Anhui Province, in central China, killing 21 persons and injuring 31 others, according to a Shanghai newspaper received here on Monday.

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'Real' Costume Jewelry Is In

By Anne-Marie Schiro
New York Times Service
NEW YORK — It isn't fake anything. It's real costume jewelry. And it's being worn — without apology — by women of every age and financial bracket. A teen-ager picks up a vintage rhinestone brooch in a thrift shop, and her grandmother sports a copy of the Duchess of Windsor's jeweled flamingo pin. Even Brooke Astor has been known to wear bogus gems. It's all in the name of fashion, so much so that "costume jewelry" is more and more referred to as "fashion jewelry."

By any name, it has become a \$2.3 billion-a-year industry. Sales have increased as much as 20 percent annually in the last five years. Small shops specializing in fashion jewelry have sprung up on city streets and in suburban malls all over the United States. Two at the upper end of the scale, where prices climb into the hundreds of dollars, are Ylang-Ylang and Zoë Coste. Both started in Europe, came to New York and have expanded to other cities, all in the space of five years.

A sure sign of the fashionable status of bogus gems was the auction at Sotheby's of Diana Vreeland's collection of costume jewelry, mostly from the 1950s and '60s. The onetime fashion editor and all-time arbiter of style delights in wearing masses of jewelry and often intersperses the real with the fake.

"Once Diana had on two of my fake animal bracelets and a real David Webb," said Kenneth Jay Lane, who helped to make costume jewelry fashionable in the 1960s and who designed more than 60 of the nearly 200 lots in the Vreeland auction. Two of Vreeland's other favorites were Yves Saint Laurent and Chanel.

The auction included four of Chanel's plastic bangle bracelets inset with jeweled Maltese crosses as well as Lane's enameled metal versions of those same bracelets.

Lane originally copied the Chaneels for Vreeland, he said, and then added them to his wholesale collection. They currently sell for about \$100 at retail.

Lane also made costume jewelry for the Duchess of Windsor, including copies of her own flamingo pin and jeweled panthers. He recently revived those designs for his wholesale line and his 12 retail stores in the United States and Europe. The duchess's flamingo and panther jewels were among the stellar attractions in April at the \$50 million Sotheby's auction of her jewelry.

That auction started the current craze for fashion jewelry that looks like the real thing. A few years ago, the demand was for fake, oversize pieces.

One of the first jewelry makers to realize the potential of translating the Windsor treasures into affordable glass and brass was Carolee Designs. In April, Bloomingdale's introduced Carolee's \$75 version of the duchess's flamingo pin, smaller than the original, and it "sold beyond our wildest dreams," said Carolee Friedlander, the company's designer and president.

"That pin started the whole thing," said Becky Martin, the



Carolee Friedlander models jewelry from her fall collection.



Carolee's version of the famous flamingo pin (\$75).

\$2,000 for an evening necklace. Stores report no customer resistance to even the highest prices.

"The higher-priced jewelry is being bought by the woman who has the real," Martin said. "She buys it for travel when she doesn't want to take her good things. Or she buys it because she worries about theft, and jewelry insurance is too high."

Copies of estate jewelry are not the whole story. The other big trend is to sculptural metal designs like those Robert Lee Morris made for Donna Karan. These pieces come in silver, brushed gold-toned metal or brushed copper. "The new generation of costume jewelry wears goes for these bold pieces with a contemporary look," said Arlette Cohen, a part-owner of Zoë Coste.

"This segment has been growing year after year," said Roger Goring, a vice president and the merchandise manager for accessories at Saks Fifth Avenue. "But our customer tends to be more traditional, so the somewhat more traditional jewelry — the kind that looks like real jewelry — is still extremely important to us."

It isn't only in the highest price levels of the costume jewelry market that these trends are apparent. They can also be seen in the lines of both Monet and Trifari, among the oldest and biggest manufacturers of costume jewelry, whose prices rarely top \$100. "The look of the real is in; fake is out," said Linda Borella, Monet's director of sales promotion.

"Costume jewelry was highly designed from the 1920s when it started to the 1950s days of movie-star glamour," said Jim Northrop, president of Trifari. "In the '60s and '70s women's roles and perceptions changed. It was a time of 'anti-artificial' in all areas, including jewelry. Gold became both a fashion and an investment. But as the price of gold increased, all people could afford were ditsy chains and earrings. Costume jewelry was also copies of ditsy chains and earrings."

Then came the '80s, and fashions changed. "Jewelry was too seriously real or too serious for the fantasy clothes that have come along," said Kenneth Jay Lane. "Nobody's going to say, 'Wow!' about a piece of real jewelry that costs \$600 or \$700. A 'wow' piece would cost \$50,000 or \$150,000 or \$1 million."



Prince of Wales feathers pin (\$95), copied from the Duchess of Windsor's piece now owned by Elizabeth Taylor.

group buyer for costume jewelry at Bloomingdale's. "There's no stopping it. It's still fantastic. In fact, we put it in our Christmas catalogue."

"The duchess has been a major boost to the costume jewelry business," she added. "The panther jewelry is also very strong. Certain customers are aware of the designs. Others are just learning to recognize them. I expect the trend will grow as more people around the

country become aware of it. This is just the beginning."

Carolee recently added a heart pin with the Windsor crest (\$85) and a \$95 version in rhinestones and baguettes of the feather pin Elizabeth Taylor bought for \$623,327.

Carolee's prices go up to \$300. Kenneth Jay Lane's go to \$700 for a necklace or a rhinestone belt like one he originally made for the duchess. Chanel's prices can reach

Publishing Women Rise to the Top

By Edwin McDowell
New York Times Service

NEW YORK — For years, many of the most talented book editors have been women; now they are assuming positions of corporate power.

"The great thing about publishing is that it's entrepreneurial," said Joni Evans, who less than two weeks ago was named publisher of Random House. "If you signed up a best-seller, or edited it, or sold the subsidiary rights, you would get a report card quickly."

Other businesses reward unusual enterprise, of course, and many corporations have responded to charges of sexism by redressing the inequities of the past. But in publishing, women — possibly by virtue of the industry's relatively open atmosphere, or simply because of their numbers — are becoming especially successful.

Evans's career began in 1963, when she started as a secretary at McCall's magazine. A few years later, she went to William Morrow & Co. as an editorial assistant and quickly became a junior editor, before going to Simon & Schuster in 1974 as subsidiary-rights director. Five years later she became the editor of her own imprint and, in 1985, president of trade book publishing.

Her new job makes her a likely candidate to succeed Robert L. Bernstein, the 64-year-old chairman of Random House, when he steps down — but so are a half-dozen other Random House executives, Bernstein said, including Susan Petersea, president of Ballantine-Del Rey-Fawcett Books, and Carolyn Reidy, associate publisher of Vintage Books. If Evans, or one of her female colleagues, indeed is named to the No. 1 position, she won't be alone.

Two months ago Phyllis Grann, who started as a secretary at Doubleday in 1958, became the only female chief executive of a major trade book publisher: the Putnam Publishing Group.

In less than a year, Alberto Vitale, the chief executive officer of the Bantam, Doubleday, Dell Publishing Group, has put three women in charge of companies that he oversees — Nancy Evans at Doubleday, Carole Baron at Dell and Linda Grey at Bantam Books. In addition, Maureen Egan is editorial director of Doubleday's many book clubs, and Genevieve Young is editor in chief of its influential component, the Literary Guild.

Some executives suggest that publishing's new stars may have benefited from the fact that in the late 1960s and 1970s many ambitious men avoided careers in publishing. "The men who might have competed for those positions may have gone into Wall Street or other businesses that pay more," said Evelyn Shrifte, president of Vanguard Press since 1954.

In the long run, though, some women are finding that the trade-offs they made were worthwhile. "They had a more thorough apprenticeship," said Nan Talese, who last year became publisher of adult trade books at Houghton

Mifflin. In the 1960s, she said, while most women entered publishing as editorial assistants, a largely secretarial position, men generally began at a slightly higher level.

"By coming in in the middle, they never learned the business as well," she said. While many male editors were winning and dining agents and authors, their female counterparts were honing their skills in publicity, subsidiary rights and marketing — the parts of the business that are less glamorous but essential to success.

Linda Grey said she never found publishing particularly sexist, but she also remembers the disparity at the entry level. "A few men started as editorial assistants, but most started as readers, so they could put their hands on a manuscript instead of a typewriter."

Despite the changes at the top, few publishing executives expect to see much difference in the kinds of books that are produced. The percentage of female editors has always been high and women have long been recognized as the prime purchasers of books. But perhaps the atmosphere at the houses will change. The overturning of the male status quo could lead publishers to institute such progressive policies as maternity leave and corporate-sponsored child care.

"We're joking about rattles and baby bottles in the conference room," said Nancy Evans of Doubleday, who is expecting her first child in February. In anticipation of eventual parenthood, Lynne Lumsden, the publisher of Dodd, Mead & Co., has already installed a nursery across from her office.

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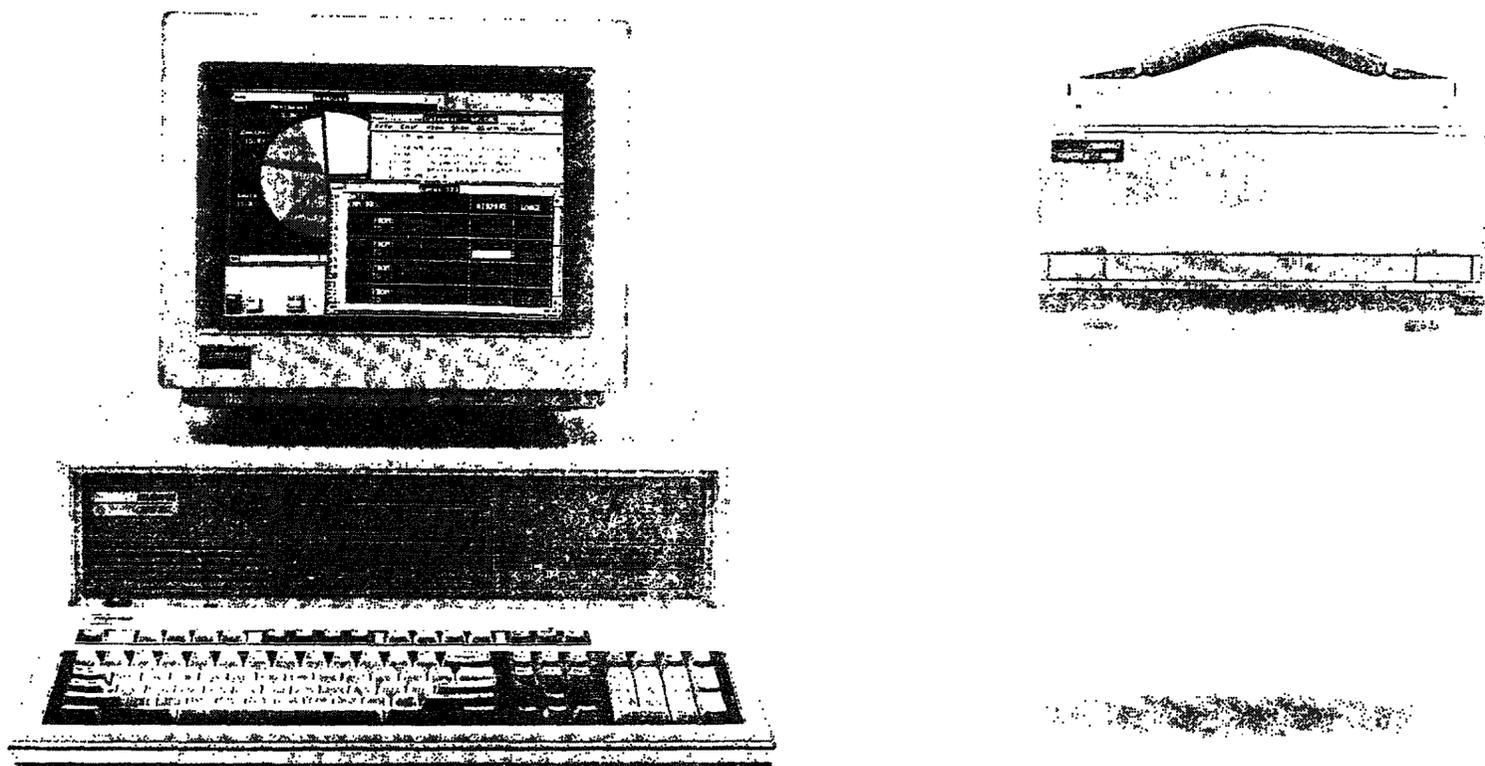
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MARKETS TAKE NEW PLUNGE: Stock Prices Dive in a Vacuum of Confidence

European Markets Fall After Plunge in Asia

London Index Ends Day Off 111 Points

Compiled by Our Staff From Dispatches LONDON — Stock prices fell sharply Monday on the London Stock Exchange in response to a 33 percent plunge on the Hong Kong Stock Exchange and to a sharp fall in the dollar at the opening of European trading.

After being off as much as 150 points during morning trading, the Financial Times-Stock Exchange 100-share index recovered somewhat to finish at 1,684.1, down 111.1 points, or 6.2 percent, for the day.

The equivalent of about \$220 billion has been wiped off London share values in the last week.

Shares slumped in early in the session after the fall in Hong Kong and a near 5 percent drop in Tokyo overnight. The market was dismayed by the dollar, which fell as much as 4 pence in Europe before recovering.

There was a brief rally around midday, but prices continued to fall on expectations of a lower opening on Wall Street.

Although the New York Stock Exchange was hit by heavy selling, brokers in London had largely discounted the drop, dealers said.

They described selling as emotional and said it would take dramatic news to stop the slide.

Traders in markets around the world are anxiously awaiting an announcement on moves to curtail the U.S. budget deficit from Monday's meeting between President Ronald Reagan and Congress.

Many, however, said they were skeptical that positive moves, such as tax rises, would be announced soon.

The U.S. budget and trade deficits have been cited as the main cause of the global slump in share prices. One analyst, who asked not to be named, said, "What everyone wants now is positive noises from the U.S. on how they're going to

U.S. Bond Prices Surge as Stocks Resume Fall

The Associated Press NEW YORK — U.S. bond prices soared Monday in moderate trading, as prices on the New York Stock Exchange slid sharply again and investors sought the relative safety of the credit markets.

The Treasury's key 30-year bond climbed about 1/8 point, or \$15 for every \$1,000 in face value, its yield, which moves inversely to its price, dropped to 8.90 percent from 9.12 percent.

Analysts said prices were boosted by demand from investors shifting funds from the stock market into Treasury securities, as happened through most of last week.

The bond advance is also being fueled by speculation that the Federal Reserve Board to loosen credit by nudging interest rates lower.

Foreign investors, who were quiet in the morning, placed large sell orders in the afternoon. Some French institutions made buy orders, seeking bargains.

Several stocks were suspended because of the sharp fall in prices, including Lafarge Coppée and Elf Aquitaine. When trading reopened on the stocks, they continued to slide. Lafarge was last quoted down 135 francs, at 1,215, while Elf was down 17 francs, to 261.

Other stocks underlying the stock options market were also down. The options market was closed all day to clear the backlog of orders.

Some dealers said that the plunge in Tokyo earlier in the day had worried French investors. The operators said that fears were growing of a U.S.-led recession.

Dealers in Frankfurt said losses there were magnified by thin volume. The dollar's fall further undermined confidence.

Paris Leads Retreat on The Continent

Reuters PARIS — Prices on major European stock markets plunged Monday in reaction to the sharp falls on Asian markets and, late in the day, to New York's continued decline.

In Paris, the all-share indicator fell 8.05 percent, a dive nearly as severe as the 9.7 percent loss last week Monday.

In Frankfurt, the Commerzbank index of 60 leading shares, calculated at mid-session, fell 97.50 points, or 5.8 percent, to a two-year low of 1,569.2.

In Zurich, the all-share Swiss index fell 10.4 percent, its second-largest drop after the 11.3 percent plunge on Oct. 19. Traders said volume was fairly high.

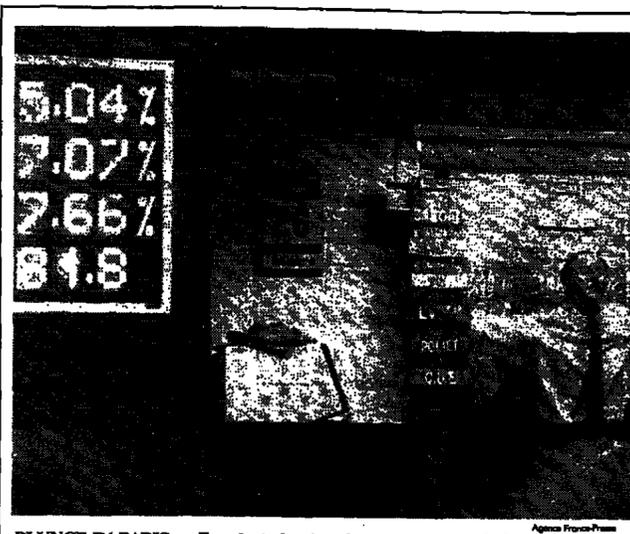
On the Paris Bourse, the main index slid 5.37 percent shortly after the opening, then slumped further in late trading as dealers grew discouraged by yet another fall in New York.

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PLUNGE IN PARIS — French stock prices dropped sharply again Monday, with the main index down more than 8 percent. Last week Monday, shares fell a record 9.7 percent.

Rich Arabs, but Not Governments, Shy From Stocks

Reuters MANAMA, Bahrain — Wealthy Gulf Arabs, jolted by falling stock markets, are rethinking their investment strategies, analysts say, and signs are emerging that large merchant families are retreating from overseas share investments.

But governments such as Kuwait are unlikely to sell their stakes in European and U.S. companies, Gulf-based economists add.

"Individuals are very nervous," one economist said. "An awful lot of banks are holding an awful lot of hands very tightly."

Economists say that the short-term option, already exercised by some individuals in the region, is to reduce foreign share holdings and deposit cash with banks.

Analysts note that the strategies of wealthy individual investors — many the heads of old Gulf merchant families — and of oil states are often different.

Private Arab investors are inclined to seek short-term gain, moving quickly in and out of world stock markets. That tendency to "play the market" has faded somewhat since the 1980 market crash in 1982 of the Kuwaiti stock market that was known as the Souk al-Manakh.

But governments such as Kuwait are unlikely to sell their stakes in European and U.S. companies, Gulf-based economists add.

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But economists in the Gulf believe the bond markets could turn as chaotic as equities if confidence in U.S. monetary policy is eroded and inflationary fears take hold.

While attention has focused on problems that could be facing private investors, Kuwait took the unusual step on Friday of issuing a statement that the drop in world share prices would hit its reserves only temporarily.

Much of its \$90 billion worth of hard-currency reserves is in blue-chip stocks in the United States, Japan and Europe.

Kuwait's investment strategy "is not built on quick reaction or short-term changes in world markets," said Faid Mohammed al-Rashed, general manager of the Kuwait Investment Authority.

Of the members of the Gulf Cooperation Council — Saudi Arabia, Kuwait, Bahrain, Oman, Qatar and the United Arab Emirates — Kuwait is thought to have the largest stock holdings.

The makeup of the portfolio and the weighting to bonds and other instruments is a secret.

Tokyo Suffers 3d-Largest Drop

Compiled by Our Staff From Dispatches TOKYO — Prices on the Tokyo Stock Exchange plummeted 4.7 percent on Monday, reflecting worries about Wall Street's health and a record plunge in Hong Kong share prices.

The most closely watched indicator, the Nikkei average of 225 selected shares, tumbled 1,096.22 yen to close at 22,202.56 yen. It was the third-largest single-day point decline on record.

The average fell 3,836.48 yen last Tuesday and 1,303.23 yen on Friday.

Traders attributed the decline to selling by foreign shareholders and to concern about possible dislocations when the New York Stock Exchange opened later in the day and investors had to settle accounts from last week's drop in stock prices.

Ginger Tulley, an analyst at Vickers da Costa, said the drop in Tokyo resulted from "general fear and uncertainty, particularly over

what's going to happen in Hong Kong," where the key Hang Seng index lost 1,126 points, or 33 percent, to close Monday at 2,236.68.

"It's clear the market is still really nervous," said Jonathan J. Joseph, a research analyst at Shearson Lehman Brothers in Tokyo.

Economists and other analysts insisted, as they have for the past week, that the tremors in Tokyo were basically a reaction to New York developments and not a reflection of concern about the Japanese or world economy.

They said, declines in prices were perhaps inevitable because the market here was deemed overvalued.

But the Tokyo business community was startled by the severity of the drop Monday, which was heading for a steeper decline until it rallied toward the end of the day.

Since reaching a its record high of 26,646.43 yen on Oct. 14, the Nikkei average has lost 17 percent of its value.

Buyers were few for much of the day, which helped explain the relatively modest volume of about 650 million shares. By comparison, volume in Saturday's half-day of trading totaled 572.73 million.

Tokyo is no longer started to see a billion or more shares traded on a single day. That is because stock prices are low, and each transaction involves, on average, many more shares than on the New York Stock Exchange.

The low volume reflected fundamental weakness among Japanese investors, analysts said. It was foreigners who brought the index down, selling shares at one point 10 times faster than they were buying.

Following the selling spree at the Tokyo Stock Exchange, the Osaka Securities Exchange tumbled Monday, with the bellwether December contract dropping below the 1,200 yen level.

In Sydney, share prices plunged 6.7 percent in hectic trading as investors took their cue from Hong Kong and Tokyo and sold heavily. The All Ordinaries index fell 100.00 points to close at 1,413, with all sectors down sharply.

Singapore shares fell across the board, with the Straits Times Industrial Index losing 50.40 points, or 5 percent, to 913.17 in very heavy trading.



Employees of the New York Stock Exchange worked over the weekend to help clear a backlog of paperwork.

Wall Street Brokers Still Counting the Cost, but Have Little to Crow About

By Alison Leigh Cowan New York Times Service

NEW YORK — After a frantic week of battling the stock market, Wall Street's brokerage firms spent the weekend and early Monday getting ready for what seemed certain to be another hectic week.

Clerical employees prepared for Monday and Tuesday, when the flood of trading from last week Monday and Tuesday must be cleaned up on their books. The firms are required to settle trades — make sure a seller's records and a buyer's records are in accord — within five days. Only then can they assess what last week's plunge did to their finances.

"The Street is coming out of this pretty well," said Max C. Chapman Jr., president of Kidder, Peabody & Co. "But I think Monday or Tuesday will be critical."

Until then, the reckoning remains unclear. But the record volume may have been an unexpected windfall for big retail houses — up to \$3 billion, by some estimates. They deal with thousands of ordinary investors, who pay higher commission rates than institutional investors.

In addition, the money that huge firms like Salomon Inc. made on inventories of bonds, which rose in value with the credit market rally, may help offset whatever beating they took in their stock holdings.

It may be weeks before anyone knows how badly some firms were hit by last week's crisis. But the stocks of publicly traded brokerage firms were among the biggest casualties, a sign that investors expected the damage to be serious.

Three big securities firms, L.F. Rothschild & Co., E.F. Hutton Group and Paine Webber Group, were among the 15 stocks hardest hit on the New York Stock Exchange. By week's end, L.F. Rothschild's shares had lost 51 percent of their market value. Paine Webber's 40 percent, and E.F. Hutton's 44 percent.

Wall Street's strongest investment banking firms were hard hit as well. First Boston was down 32 percent, Bear, Stearns 33 percent, Salomon 32 percent, Morgan Stanley Group 23 percent, and Merrill Lynch 21 percent.

"It makes perfect sense that they're down more," said John Keefe, an analyst who follows the securities industry for

Rothschild Fixes Loss

Reuters NEW YORK — L.F. Rothschild Holdings Inc. said Monday that it had suffered a net loss of about \$44 million during the first three weeks in October as a result of the stock market's plunge.

It also announced that it was closing its municipal bonds operations and laying off 150 employees. Separately, it said it had a third-quarter net loss of \$6.3 million.

The loss that was caused by trading losses between Oct. 1 and last Thursday reduced shareholders equity to about \$133.5 million. But, Rothschild said, it remains in compliance with Securities and Exchange Commission rules governing ratios of debt to capital.

Dresel Burnham Lambert Inc. "If there was fundamental news to pin on any group of companies, it was the brokerage stocks," he said. "The market is a net holder of securities." That

means that when market prices drop as they did last week, the firms are hurt by the fall in value of their inventories.

James E. Cayne, co-president of Bear, Stearns Co., said, "I would have to say Wall Street firms did not win. As a matter of fact, they lost."

Bear Stearns may have lost in another way, too: Jardine Strategic Holdings Ltd. of Hong Kong said Friday that it was terminating its \$393 million offer to buy 20 percent of the New York firm.

Some Wall Street analysts are already reducing their earnings estimates for the publicly traded brokerage stocks. Michael W. Blumstein, a First Boston analyst, has chopped his estimate for Bear, Stearns' current quarter to 25 cents a share, from 55 cents, even though the firm is believed to have earned two to three times its usual commissions last week.

Mr. Blumstein cited losses sustained in the firm's risk arbitrage unit, a department that bets on the outcome of takeover battles. Last week's tumult scotched many takeovers at the last moment, much to the dismay of arbitrageurs who owned the stocks. Bear, Stearns is also expected to

sustain losses in its clearing activities, a service it performs for many smaller brokerage firms for a fee.

Mr. Keefe has not yet downgraded brokerage stocks, but he thinks "it's inevitable" despite the windfall in commissions. "Commissions as a revenue source are relatively minor these days," he said, "certainly relative to trading profits."

Merrill Lynch, with its extensive network of branches and huge retail customer base, said that it had done "extremely well." But generally firms were not crowing about their results last week.

As the volatility fuels opportunities for trading profits, it also increases the opportunities to make mistakes, according to Robert S. Salomon Jr., a managing director at Salomon Brothers.

"If someone under pressure gets an order fouled up," he said, "by the time you go to correct the market may be extraordinarily different from where the mistake occurred, so it is a very punishing environment."

For that reason, he disputes any suggestion that Wall Street firms can do exceptionally well under current circumstances.

Ford, Exxon Profits Rise Slightly

Refining Limits Gain at Oil Company

Compiled by Our Staff From Dispatches NEW YORK — Exxon Corp., the world's largest oil company, said Monday that its net income during the third quarter increased by less than 1 percent.

During the quarter ended Sept. 30, the company reported net income of \$1.07 billion, or 75 cents a share, compared with \$1.06 billion, or 73 cents a share, in the 1986 period. The per-share figures reflect a 2-for-1 stock split paid Aug. 13.

Revenue during the quarter was \$21.93 billion, up 28 percent from \$17.19 billion in the year-earlier quarter.

Exxon said higher crude oil prices and lower operating expenses had helped profit, but the gain was limited by depressed margins in the refining sector. Price increases for refined products have not kept pace with higher crude costs, Exxon said.

The company said earnings, volume, and margins in its chemical operations were strong.

Exxon said capital expenditure in 1987 was now expected to be above earlier forecasts. Exxon said these expenditures were projected at \$6.5 billion to \$7.3 billion for 1987.

For the first nine months of 1987, capital and exploration expenditures were \$4.2 billion, down from \$5.6 billion in the comparable period of 1986, the company said.

Boeing Reports Profit Drop

Reuters SEATTLE — Boeing Co., the world's largest commercial aircraft maker, said Monday that its third-quarter earnings fell to \$104 million, or 67 cents a share, from \$157 million, or \$1.01 a share, a year earlier.

Sales for the quarter fell to \$3.52 billion from last year's \$3.8 billion. No reason was given for the drop in income.

Boeing said orders for jet transports continue to be above expectations and it expects that this trend will continue for the rest of the year. The company said it expects full year sales to exceed \$15 billion.

1987, Exxon reported net income of \$3.29 billion, or \$2.31 a share, compared with \$3.88 billion, or \$2.68 a share. Revenue during the period totaled \$61.53 billion, up from \$57.41 billion in the first nine months of 1986.

Mobil Corp. also reported quarterly results on Monday. It said its net profit had risen to \$319 million from \$182 million a year earlier, a gain of 75 percent.

Shell Oil Co., the U.S. arm of Royal Dutch/Shell Group, said Monday that its net profit for the quarter had risen steeply to \$420 million from \$133 million. Revenue advanced to \$5.65 billion from \$4.01 billion, a gain of 41 percent.

For the first nine months of

Another Record Quarter, 6th in a Row, for Automaker

Compiled by Our Staff From Dispatches DETROIT — Ford Motor Co. said Monday that its net profit rose 1.4 percent to \$703.2 million in the third period, the company's sixth consecutive quarter of record profit.

The No. 2 U.S. automaker said that its worldwide sales for the period ended Sept. 30 rose by 3.6 percent to \$15.2 billion compared with the third quarter of 1986. Factory sales for the 1987 quarter, however, declined 7 percent to nearly 1.24 million units.

In per-share terms, earnings rose to \$2.76 from \$2.61 in the year-earlier quarter.

The relatively modest increase in quarterly profit stemmed in large part from the fact that Ford had had a one-time gain of \$102 million in the year-earlier period. This arose from the sale of its North American paint operations and its interest in Starnet Corp.

Ford's chairman, Donald E. Petersen, said that "despite slightly lower volumes compared with a year ago, Ford continued to improve its underlying profitability."

The company said it had benefited from manufacturing efficiencies and lower marketing costs.

Earnings of Ford's U.S. operations alone declined by \$14 million to \$393 million for the quarter. But outside the United States, Ford earned \$110 million, compared with \$86 million a year ago.

Utilities' High Dividends Shining a Little Light in Market's General Gloom

By Phillip H. Wiggins New York Times Service

NEW YORK — Although the stock market plunge has lowered prices across the board, it has made the dividends paid on some stocks look attractive in comparison with government securities, money market funds and bank instruments.

And because of their lower prices, more shares with a greater dividend yield can be purchased for a given amount of money. As a result, a number of analysts are recommending high-dividend stocks, including many utilities.

They note, however, that there is a risk of holding even high-yielding equities in a turbulent market.

"In general, utility stocks are exceptionally good plays that not only have current dividend income but also have the potential for additional dividend growth and capital appreciation," said Richard Schmidt, director of research for Advest Inc. in Hartford.

His top 10 utilities with high dividends, all listed on the New York Stock Exchange, have annual dividend yields of as high as 9.2 percent.

They are Allegheny Power, 7.8 percent; Baltimore Gas & Electric, 6.2 percent; Delmarva Power & Electric, 7.3 percent; Dominion Resources, 7.1 percent; MDU Resources Group, 7.8 percent; Midwest Energy, 6.2 percent; Minnesota Power & Light, 6.9 percent; Oklahoma Gas & Electric, 7.1 percent; Pacificorp, 7.9 percent, and Wisconsin Energy, 5.7 percent.

Harold A. Mackinney, chairman of the investment policy committee of Fleet Financial Group in Providence, Rhode Island, said of Allegheny Power: "In the first year of the last market recession, Allegheny had an excellent performance, advancing 25 percent, while the market declined by 17 percent."

Other high-yield stocks he mentioned are General Motors and Louisville Gas & Electric.

U.K. Weighs Request To Cancel BP Sale

By Warren Getler International Herald Tribune

LONDON — The Treasury said Monday that it was considering requests by British underwriters to cancel the \$7.2 billion (\$12.2 billion) government offer of British Petroleum Co. shares, which are scheduled to come to market this week.

BP's share price has fallen sharply during the plunge on world markets, and on Monday, the price dropped another 24 pence, to 262 pence, on the London Stock Exchange. This is well below the offer price of 330 pence set on Oct. 15.

At Monday's closing price, British underwriters face an indicated loss of about \$680 million on the 1 billion shares they have committed to buy at the offer price, although the full extent of any loss would be softened by several factors.

Market analysts now are convinced that the fall in BP's share price will cancel out public interest in the offer and force underwriters to take up the issue at a big loss. The offer is due to close at midday Wednesday.

Market observers who expect the government to withdraw the BP offer believe that the Treasury will cite the prospect for further market instability if the issue were to result in the "dumping" of the underwritten shares into the market.

A Treasury spokesman said that the Treasury was willing to discuss the legal implications of withdrawing the offer. Britain's largest, if a force majeure clause in the underwriting contract was invoked, the clause allows the government to pull the issue if it can be proved that a major change in the conditions affecting the issuing company — including the state of financial

U.K. Weighs Request To Cancel BP Sale

markets — has engendered a false market in the company's shares.

"I think the Treasury should pull BP out, but I think the decision is still very much in the balance," said Michael Unswooth, an oil analyst who tracks BP for brokers Smith, New Court PLC in London.

He said the government had a problem in that Nigel Lawson, the chancellor of the Exchequer, "has stood up and said that he isn't going to pull the issue — but if he does now, this will be seen politically as the government helping out its friends in the City."

The government, if it cancels or postpones the BP sale, would lose a huge amount of money that had been counted on to help reduce its deficit. In addition, such action would be a major embarrassment for Prime Minister Margaret Thatcher, whose economic policy hinges on privatization of state companies and the sale of shares for millions of Britons.

For BP, the cancellation or postponement of the stock issue could cramp its strategy for expansion.

A senior executive at one of the British underwriters to the sale, said: "A majority of the 17 U.K. underwriters has asked the Treasury for consultations, with a view toward the termination of the offer." The group is led by N.M. Rothschild & Sons Ltd.

In addition to the 17 British institutions, underwriters to the issue include 87 firms from Europe, four from the United States, three from Canada and five from Japan. Most of the British companies are believed to have sub-underwritten the issue among more than 400 institutions, lowering the level of risk if the share sale to the public flops.

Table with financial data, including 'Warnings But History' and 'N.Y. Stock Market'.

Table with financial data, including 'N.Y. Stock Market' and 'Cross Rates'.

Table with financial data, including 'Cross Rates' and 'Other Dollar Values'.

Table with financial data, including 'Forward Rates' and 'Interest Rates'.

Table with financial data, including 'Eurocurrency Deposits' and 'Money Rates'.

Table with financial data, including 'Money Rates' and 'Interest Rates'.

Table with financial data, including 'Money Rates' and 'Interest Rates'.

Table with financial data, including 'Money Rates' and 'Interest Rates'.

Suffers Largest Drop

DAI-ICHI KANGYO BANK LONDON BRANCH

TUESDAY, OCTOBER 27, 1987

ECONOMIC SCENE

Warnings Were There, But History Was Ignored

By HENRY KAUFMAN

Henry Kaufman is managing director at Salomon Brothers Inc.

NEW YORK — The historic drop in the stock market was the result of the bearing down of a series of fundamental forces...

Several developments had cast a shadow over these expectations, especially since the late summer. One was increasing evidence that consumer prices were on a rising trajectory...

The stock market at first ignored these disturbing developments.

Inflationary expectations were further heightened by the apparent stalemate between Congress and the Reagan administration in reducing the U.S. budget deficit...

Stronger exports would add to the demand for domestically produced American goods. Weaker imports would shift demand from goods produced abroad to domestically produced goods...

Protectionist measures to reduce imports at a time when the U.S. economy is operating near full employment also would pose inflation risks. In addition, under current circumstances, a further decline in the value of the dollar would lessen the willingness of foreign investors to hold dollar obligations...

THE STOCK MARKET at first ignored these disturbing developments, but the bond market did not. Long-term Treasury bond yields rose through 10 percent, and before the stock markets crashed, bond yields had risen over 35 percent from the lows reached earlier this year.

The combination of dollar instability and 10 percent-plus yields on government bonds, compared with the previously noted low earnings yield on common stocks, unmasked a number of weak features in the equity market and contributed to its demise.

Higher interest rates quickly raised the probability that there would be an end to the sharp contraction in shares outstanding of common stock that has been largely the result of mergers, consolidations and leveraged buyouts.

These restructurings had taken more than \$100 billion in equity out of the market in each of the past three years, shrinking the supply of common stock. A comparable withdrawal was shaping for this year, and it seemed not to matter to the stock market that this removal was largely accomplished through the substitution of debt for equity.

The risks that these corporate restructurings would involve was not a concern for a market that was being driven by a focus on high near-term performance. The immediate rewards from the

Currency Rates

Table with columns for Currency, Bid, Ask, and other financial data.

Interest Rates

Table with columns for Rate, Bid, Ask, and other financial data.

Money Rates

Table with columns for Rate, Bid, Ask, and other financial data.

Asian Dollar Deposits

Table with columns for Rate, Bid, Ask, and other financial data.

U.S. Money Market Funds

Table with columns for Fund Name, Assets, and other financial data.

Gold

Table with columns for Price, Bid, Ask, and other financial data.

New Curbs on Program Trades Almost Inevitable

Computers Sped Market's Plunge, Critics Assert

By David E. Sanger

NEW YORK — A week of tumult seems to have done what two years of heated debate in Congress and the securities industry did not...

Even those who strenuously oppose restrictions agree that they are on the way. Most likely, they will come from the stock exchanges and member firms, galvanized by rising public criticism of a cluster of computer-assisted techniques that are loosely referred to as "program trading."

The exchanges are already moving. In three separate actions last week, the New York Stock Exchange and the Chicago Mercantile Exchange invoked emergency measures that, together, have taken computers out of many investment strategies used by some of Wall Street's most sophisticated traders.

There is no question that program trading is going to be put under a microscope, and that it's certain there will be changes, said Robert J. Birnbaum, the NYSE's president and chief operating officer.

Representative Edward J. Markey, a Democrat of Massachusetts, who plans hearings this week on the market's drop, said, "I don't see how some restrictions are avoidable."

Critics of computer-based trading do not contend that new technology started last week's selling spree. But they assert that the unpredictable interplay of two different computer-trading strategies appears to have greatly sped the pace at which the stock market in New York and futures markets in Chicago fell wildly out of line with each other.

The two computer-based strategies, known as Wall Street's "portfolio insurance" and "stock-index arbitrage," seem to have interacted in ways that no one ever expected, and at a pace no one could keep up with.

While it is too early to say for sure, some market experts believe that, in the chaos of last week, computer-assisted techniques that were invented to reduce risk actually created more.

How that happened is still something of a mystery, one that academics and Wall Street professionals will be sorting out for months, if not years.

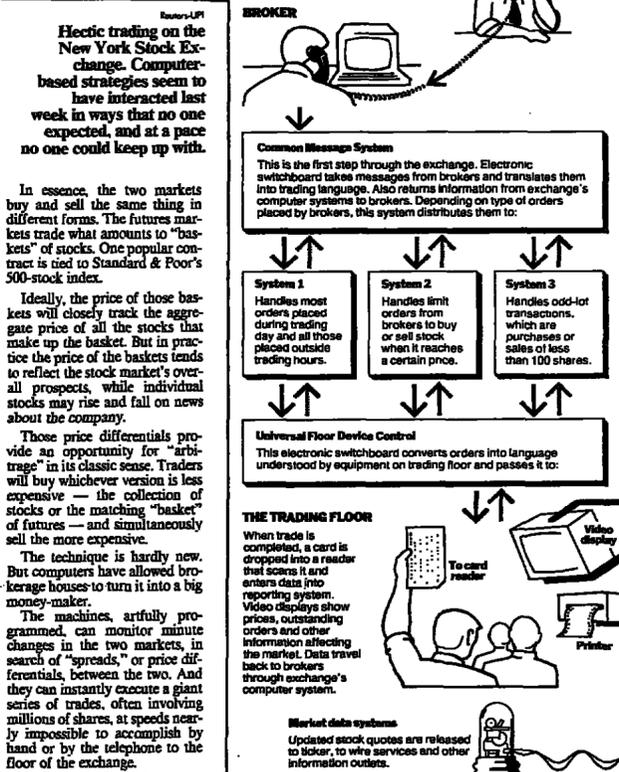
Not surprisingly, brokers argue that it makes little sense to restrict techniques that would raise few questions if computers were not involved. "We are talking about passive techniques that only respond to market conditions, not create them," said Louis Marquis, a managing director at Salomon Brothers.



Hectic trading on the New York Stock Exchange. Computer-based strategies seem to have interacted last week in ways that no one expected, and at a pace no one could keep up with.

The Technology of the Exchange

Many of the New York Stock Exchange's small orders are routed through a network of powerful computers. This network handles tens of thousands of such transactions each day.



one moves, the other moves with it. Until last week, the Securities and Exchange Commission and the stock markets largely agreed. Computer-based trading techniques accelerate the market's ups and downs, SEC and exchange experts said.

Spending Falls 0.5% in U.S.

WASHINGTON — Americans' personal incomes climbed 0.7 percent in September from August, the biggest monthly improvement since February, but consumer spending had its first setback since January, the government said Monday.

The Commerce Department said personal spending dropped by 0.5 percent last month, the first decline since plunging 1.6 percent in January. Spending rose a revised 1.7 percent in August. The August increase was originally reported at 1.5 percent.

The spending figure bodes badly for U.S. economic growth. Many economists are predicting that one major outcome of the stock market crisis will be that Americans, their confidence shaken, will scale back dramatically on buying, especially of large items such as cars, appliances and houses.

The slowdown apparently began earlier than expected. Since consumer spending accounts for two-thirds of overall economic activity, a cutback in this area — if it lasted for several months — could topple the country into a recession.

President Ronald Reagan said last week that he saw no signs of a recession and that only a dramatic slowdown in consumer spending could push the nation's economy into one.

On Monday, Beryl W. Sprinkel, chairman of Mr. Reagan's Council of Economic Advisors, conceded before the release of the figures that consumer spending might slow because of market losses but added that he, too, was "not concerned about a recession."

Purchases of services, including housing costs, increased \$2.3 billion after a \$14.3 billion rise in August. The 0.7 percent rise in Americans' incomes followed a 0.6 percent increase in August and was the largest gain since a 1.1 percent jump in February. The August rise had originally been reported at 0.5 percent.

Wages and salaries increased \$13.4 billion, compared with a \$19.3 billion rise in August. Disposable, or after-tax, income rose 0.7 percent in September, compared with 0.5 percent in August. This was the biggest increase in after-tax income since a 1.4 percent advance in February.

(AP, Reuters)

U.S. Tool Orders Rebound

By Jonathan P. Hicks

NEW YORK — Orders for U.S.-made machine tools rebounded in September, rising 29 percent from the previous month's level, the National Machine Tool Builders Association reported Monday.

Orders for September rose to \$183.1 million, from \$142 million for August. That was also 35 percent higher than the \$135.2 million of orders in September 1986.

In August, orders had fallen 12.7 percent from July's level. Analysts said orders for machine tools typically increase in the autumn, but contended that the rise from last year's levels indicated growth in demand.

Charles Pollack, a spokesman for the association, said it was unclear whether last week's plunge in stock prices would affect the machine-tool industry. Some analysts suggested that the plunge could lead many purchasers of machine tools to curb capital spending.

Machine tools are power-driven devices used to cut or shape metal parts. Their sales are viewed as an indication of capital spending by producers of metal products, such as the automobile, aerospace and general manufacturing industries.

James A. Gray, president of the association, said orders had been bolstered by a 10 percent increase in exports this year. The weak dollar has reduced imports and made U.S. manufacturers more competitive overseas, he said.

Advertisement for GT Stock Fund and GT World Fund, including contact information and a notice to unitholders.

Netherlands Taking Stake In Fokker

AMSTERDAM — The Dutch government said Monday that it would take a minority stake of up to 49 percent in the aircraft maker Fokker as part of a financial rescue package reached with the company's banks.

The firm, NV Koninklijke Vliegtuigfabriek Fokker, would receive a total of 527 million guilders (\$260 million) in new funding from banks and the government, the minister of economic affairs, Rudolf de Korte, said in a letter to parliament.

Under the agreement, existing and new government credits would be converted into state-held shares, creating a government-owned share, creating a state holding in the company of up to 49 percent, Mr. de Korte said.

In addition, Fokker agreed to cut costs by about one-tenth and strengthen its top management.

Fokker has received 1.1 billion guilders in government subsidies and credits for the development of a new range of planes.

On the Amsterdam Stock Exchange, trading in Fokker remained suspended until Tuesday.

Fokker earlier this month appealed for fresh aid after production problems delayed the launch of its new F-30 turbo prop plane and F-100 short-haul jet.

The 68-year-old company's prospects have also been hurt by the dollar's decline in the past two years, which has depressing Fokker's guildler income while making its planes more expensive in the world market.

Fokker, which thrived for decades on the sale of its popular F-27 Friendship propeller-driven aircraft and the F-28 Fellowship jetliner, has conceded that it will never be able to develop a plane on its own again because of the costs involved.

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2, Boulevard Royal, 2953 LUXEMBOURG

NOTICE TO SHAREHOLDERS

The directors have resolved that the suspension of subscriptions and redemptions with effect from 20th October 1987 previously announced shall be cancelled.

Consequently subscriptions and redemptions requests made to the fund since 20th October 1987 will be dealt with on 23rd October 1987 at the price per share calculated that day and requests received from the commencement of business on 23rd October 1987 will be dealt with in the normal manner.

THE FIRST AUTOMATIC ULTRA-THIN PERPETUAL CALENDAR IN THE WORLD.

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Vol.	High	Low	Last	Chg.
SouthCo	24975	27 1/2	27 1/2	+1/2
Pitt	12000	27 1/2	27 1/2	+1/2
Travel	11000	27 1/2	27 1/2	+1/2
News	10000	27 1/2	27 1/2	+1/2
AT&T	9000	27 1/2	27 1/2	+1/2
Ford	8000	27 1/2	27 1/2	+1/2
Gen'l	7000	27 1/2	27 1/2	+1/2
IBM	6000	27 1/2	27 1/2	+1/2
IBM	5000	27 1/2	27 1/2	+1/2
IBM	4000	27 1/2	27 1/2	+1/2
IBM	3000	27 1/2	27 1/2	+1/2
IBM	2000	27 1/2	27 1/2	+1/2
IBM	1000	27 1/2	27 1/2	+1/2

NYSE 4 a.m. volume	208,620,000
NYSE prev. corp. close	27,122,000
OTC 4 a.m. volume	22,400,000
Amex prev. corp. close	18,000,000
OTC prev. corp. close	1,800,000
OTC prev. 4 p.m. volume	178,700,000
NYSE volume up	1,600,000
NYSE volume down	1,600,000
Amex volume up	1,600,000
Amex volume down	1,600,000
OTC volume up	1,600,000
OTC volume down	1,600,000

High	Low	Close	Chg.
Composite	132.50	132.50	+1.25
Industrials	118.50	118.50	+1.25
Transp.	118.50	118.50	+1.25
Utilities	118.50	118.50	+1.25
Finance	118.50	118.50	+1.25

Monday's NYSE Closing
Via The Associated Press

Close	Prev.
Advanced	107 1/2
Declined	107 1/2
Unchanged	107 1/2
Total Issues	107 1/2
New High	107 1/2
New Low	107 1/2

Class	Chg.	Week	Year
Composite	+1.25	+1.25	+1.25
Technology	+1.25	+1.25	+1.25
Finance	+1.25	+1.25	+1.25
Utilities	+1.25	+1.25	+1.25
Health	+1.25	+1.25	+1.25
Energy	+1.25	+1.25	+1.25
Telecom	+1.25	+1.25	+1.25
Biotech	+1.25	+1.25	+1.25
Real Estate	+1.25	+1.25	+1.25
Other	+1.25	+1.25	+1.25

Vol.	High	Low	Last	Chg.
Travel	12000	27 1/2	27 1/2	+1/2
News	11000	27 1/2	27 1/2	+1/2
AT&T	10000	27 1/2	27 1/2	+1/2
Ford	9000	27 1/2	27 1/2	+1/2
Gen'l	8000	27 1/2	27 1/2	+1/2
IBM	7000	27 1/2	27 1/2	+1/2
IBM	6000	27 1/2	27 1/2	+1/2
IBM	5000	27 1/2	27 1/2	+1/2
IBM	4000	27 1/2	27 1/2	+1/2
IBM	3000	27 1/2	27 1/2	+1/2
IBM	2000	27 1/2	27 1/2	+1/2
IBM	1000	27 1/2	27 1/2	+1/2

Class	Chg.
Bonds	+0.17
Utilities	+0.17
Industrials	+0.17

Class	Prev.	Chg.
Advanced	134	0.70
Declined	134	0.70
Unchanged	134	0.70
Total Issues	134	0.70
New High	134	0.70
New Low	134	0.70

Buy	Sales	SPV	
Oct. 27	484,971	402,488	1,479
Oct. 26	1,441,411	622,289	1,371
Oct. 25	1,822,411	668,248	1,371
Oct. 24	1,384,411	518,211	1,371
Oct. 23	729,311	271,211	1,371

Open	High	Low	Last	Chg.
Index	184 1/2	181 1/2	174 1/2	-15 1/2
Transp.	72 1/2	72 1/2	68 1/2	-4 1/2
Utilities	72 1/2	72 1/2	68 1/2	-4 1/2
Comp	69 1/2	69 1/2	65 1/2	-4 1/2

High	Low	Class	Chg.
Industrials	221 1/2	218 1/2	-3 1/2
Transp.	102 1/2	102 1/2	0
Utilities	102 1/2	102 1/2	0
Finance	102 1/2	102 1/2	0
SP 500	221 1/2	218 1/2	-3 1/2

Class	Prev.	Chg.
Advanced	132	0.70
Declined	132	0.70
Unchanged	132	0.70
Total Issues	132	0.70

High	Low	Close	Chg.
High	244.0	239.7	-4.3

Tables include the nationwide prices up to the close on Wall Street and do not reflect late trades elsewhere.

12 Month High Low Stock Div. Yld. PE 50 High Low Close

12 Month	High	Low	Stock	Div.	Yld.	PE	50	High	Low	Close
22	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
23	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
24	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
25	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
26	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
27	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
28	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
29	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
30	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
31	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
32	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
33	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
34	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
35	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
36	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
37	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
38	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
39	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
40	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
41	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
42	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
43	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
44	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
45	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
46	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
47	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
48	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
49	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
50	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2

MARKETS: Dow Registers 2d-Biggest Drop

(Continued from Page 1)

were counting on, she said. "Everybody is shell-shocked and nobody knows what to think."

She said one sign that the economy would not go into a severe contraction is that the Federal Reserve was "flooding" the banking system with liquidity.

If the Fed does not turn off the liquidity tap by tightening monetary policy — a move that would push up interest rates — the stock market's collapse will lead at worst to a recession, she said.

The Federal Reserve added liquidity to the banking system just after 10:00 A.M. Monday, at least an hour and a half earlier than it usually conducts operations in the open market. Early interventions are done deliberately when the Fed wants to call the financial markets' attention to the significance of its actions.

Last week the Fed pumped cash into the banking system every day after the Dow dropped 508 points, putting saying it would supply liquidity to "support the economic and financial system."

"If it was 'Black Monday' last week, it was 'Black-and-Blue Monday' today," said Hugh A. Johnson Jr., head of the investment policy committee at First Albany Corp.

While some economists and analysts were initially encouraged by the Wall Street's more stable performance Friday, in which the Dow managed a 0.33 point rise, heavy losses in overseas trading shattered hopes that the market could better Monday, traders said.

Prices fell sharply in Tokyo and London overnight. The Hong Kong index in the Hong Kong market, which closed for four days after last Monday's 11 percent drop there, had a

record 33 percent drop Monday when it reopened.

The Dow fell 100 points in the first 40 minutes of trading even as President Reagan met with congressional leaders to lay the groundwork for negotiations on cutting the budget deficit in the hope that such action would restore some semblance of confidence in the financial system.

"The market wants to get a sense that there is a clear recognition in Washington of the magnitude of the problem," Mr. Johnson said.

Formal negotiations on cutting the federal budget deficit were set to begin Tuesday.

Mr. Johnson said solving pieces of the problem — federal budget and trade deficits and Third World debt — was not as important as the need for overall forceful leadership from Washington.

"The markets need a response as dramatic as the decline itself was dramatic," he said.

The NYSE's sharp restrictions on program trading, imposed last week, were still in force Monday in an effort to reduce volume. In program trading, huge blocks of stock are traded as professional investors, known as arbitrageurs, seek to profit from the difference between the current value of a stock and its estimated future value.

Southern Co. led the NYSE actives, falling 1 1/2 to 21 1/2. Pinnacle West followed, losing 1/2 to 28.

Travelers Corp. was third, sliding 1 1/4 to 39 1/4. Among actively traded blue chips, AT&T fell 2 1/2 to 26 1/2, Ford plunged 6 to 68, General Electric slid 4 to 42 1/2, American Express plummeted 4 1/2 to 22, IBM fell 3 1/2 to 112.

12 Month High Low Stock Div. Yld. PE 50 High Low Close

12 Month	High	Low	Stock	Div.	Yld.	PE	50	High	Low	Close
51	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
52	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
53	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
54	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
55	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
56	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
57	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
58	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
59	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
60	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
61	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
62	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
63	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
64	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
65	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
66	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
67	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
68	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
69	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
70	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2

12 Month High Low Stock Div. Yld. PE 50 High Low Close

12 Month	High	Low	Stock	Div.	Yld.	PE	50	High	Low	Close
71	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
72	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
73	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
74	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	11 1/2
75	11 1/2	11 1/2	AA	0.00	0.00	11.00	11 1/2	11 1/2	11 1/2	

Monday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Open, Close. Lists various stocks and their performance.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, 52 Week High, Low, Open, Close. Continuation of stock market data.

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U.S. Futures Via The Associated Press

Oct. 26

Grains

Table for Grains futures: WHEAT (CBT), CORN (CBT), SOYBEAN MEAL (CBT), SOYBEAN OIL (CBT).

Food

Table for Food futures: COFFEE (NYMEX), SUGAR (NYMEX), COCOA (NYMEX), ORANGE JUICE (NYMEX).

Metals

Table for Metals futures: COPPER (COMEX), ALUMINUM (COMEX), ZINC (COMEX), NICKEL (COMEX).

Livestock

Table for Livestock futures: CATTLE (CME), FEEDER CATTLE (CME), HOGS (CME).

Currency Options

Table for Currency Options: PHILADELPHIA EXCHANGE, PALLADIUM (NYMEX), GOLD (COMEX).

Financial

Table for Financial futures: U.S. TREASURY (CBT), 10 YR. TREASURY (CBT), 30 YR. TREASURY (CBT).

Market Guide

Table for Market Guide: CME, COMEX, NYMEX, NYFE.

Spot Commodities

Table for Spot Commodities: Aluminum, Coffee, Cotton, Iron, Lead, Tin, Zinc.

London Commodities

Table for London Commodities: SUGAR, COFFEE, CATTLE, FEEDER CATTLE, HOGS.

Paris Commodities

Table for Paris Commodities: SUGAR, COFFEE, CATTLE, FEEDER CATTLE, HOGS.

DM Futures Options

Table for DM Futures Options: DM Futures Options.

Dividends

Table for Dividends: Dividends.

U.S. Treasuries

Table for U.S. Treasuries: U.S. Treasuries.

London Metals

Table for London Metals: London Metals.

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. Lists various commodities.

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Various small notices and advertisements at the bottom of the page.

U.S. \$100,000,000
National Westminster
Finance B.V.
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In accordance with the provisions of the Notes, notice is hereby given, that for the six months interest period from October 27, 1987 to April 27, 1988 the Notes will carry an interest rate of 7 7/8% per annum. The interest payable on the relevant interest payment date, April 27, 1988 against Coupon No. 15 will be U.S. \$200.16.

By: The Chase Manhattan Bank, N.A.
 London, Agent Bank

October 27, 1987

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HT 27-10

PROGRAM: Curbs on Computer Trades Seem Certain

(Continued from first finance page) in Oct. 19's historic 508-point fall. The Chicago Mercantile Exchange estimated that "less than 20,000" of the 160,000 Standard & Poor's 500-index futures that changed hands last Monday, the day of the stock market's 508-point drop, were linked to computer-generated trades. The NYSE estimated that about 20 percent of its 600,000 transactions that day involved such trading, a bit higher than the figure for a normal day.

What the statistics do not show is the timing of those trades, which can be crucial in touching off a cascade of sales. In part, that is because each computer is programmed with a "threshold" set of prices, which kicks the program into action. But in part, it is because another computer technique, "portfolio insurance," intended to help limit an investor's risk, can interact in unexpected ways with the arbitrage programs.

Portfolio "insurance," a misnomer, is actually a hedging strategy that calls for investors to sell stock-index futures in a falling market. Losses in the stocks themselves are offset, at least in part, by gains in the sale of the future. If the market continues to fall, the investor can buy back the future and close out his position at a profit.

Selling futures pushes down their price. And a wave of selling can enlarge the disparity between the price of the future and the prices of the individual stocks that in the aggregate make up the "basket." At that point, arbitrageurs enter the action, buying the underpriced future and selling the actual stocks that make up the basket.

Selling those stocks, however, designed under the assumption that some buyers would be available, failed.

For their part, the stock-index arbitrageurs say they have been blamed unfairly for last week's fall. They deny even participating in the market. For much of the time, they say, chaos in the markets made program trading impossible.

At times last week, huge spreads opened between bid and asked prices. Market information fell minutes or hours behind. On Tuesday, trading was halted in numerous stocks, making it impossible to compute a value for the basket that included them. Traders could not know whether price "spreads" would still exist by the time they executed trades.

Other arbitrageurs argue that stocks also fell in Tokyo and London, where there is no equivalent of the Chicago futures market.

But the statistics show that some program trading was taking place on Monday, NYSE officials say that once the sequence of events last Monday is unraveled, program trading will prove to have given the market a downward push, just as it gave it an upward push months before. And that, they believe, will lead to some form of regulation.

Whatever the investigations turn up, a growing number of traders consider it a political reality that some curbs will be imposed. In the minds of the public, they say, program trading conjures up images—albeit inaccurate, they insist—of a market guided by computers instead of the people who program them. It is a market in which small investors appear to be technologically overwhelmed.

The nature of likely curbs is harder to predict. Most likely, restrictions would limit the size or number of computer-assisted trades a broker could execute in a given day.

Market professionals say such a restriction would be far easier to police than the New York exchange's current "emergency" regulations, which prohibit computer-generated trades from being automatically "dumped" into the exchange's own computers and which prohibit brokerages from program trading for their own account.

It is still permissible, however, to design a client's trade on a computer and execute it by phone or by hand on the floor of the exchange.

The Chicago exchange's emergency measure, adopted after an S&P-500 contract dropped 60 points when the market opened Thursday, could become permanent, analysts say.

That restriction prohibits any contract from changing price by more than 30 points, or \$15,000, in one day's trading. Similar limits are common in commodity futures contracts.

'We can take our past studies on computer-based trading techniques, and toss them.'

—an official of the NYSE

SCENE: Warnings Were There

(Continued from first finance page) term investment behavior, were dominant.

• The rapid growth of stock options and futures also contributed to the market's unstable structure. The daily average volume of trading in stock index futures and options rose from about \$11 billion in 1984 to \$35 billion during the past three months. So far this year, through early October, the volume of stock futures trading reached \$2.9 trillion, compared with \$1.9 trillion in actual stock transactions.

Many of these transactions in options and futures were designed to limit risk, as in the case of portfolio insurance transactions. But even here, as in program trading, the volatility of the market was severely exacerbated.

The new decision-makers in the financial markets are exceedingly skilled in analysis. They are ambitious and they are willing to take risks, but unfortunately their entrepreneurial drive has not been tempered by the lessons of history.

We should not be surprised that this is so. There are few schools of business in the United States that teach financial history. How can we remember the lessons of history if we have not been taught them?

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LONDON — Amstrad PLC said Monday that it will begin selling its first portable computer Wednesday. A company spokesman said the new computer will challenge existing leaders in the field

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MARKETS TAKE NEW PLUNGE: Hong Kong Is Badly Hit; the U.S. Dollar Tumbles

HONG KONG: Shares Plummet

(Continued from Page 1)
forced many to sell into the falling market. But most reported that redemption activity was modest.
On the futures exchange, October contracts based on the Hang Seng index put the market barometer at 1,975, down 1,554 points from the day, a discount of 366 points against the cash market. That compares with a premium of 200 to 300 points above the index before the markets closed last week.
Trading was suspended in the November and December contracts after prices fell by their maximum daily limit of 150 points, news services reported.
Introduced just last year, the Hang Seng stock-index contract is the second most actively traded in the world behind the contract based on the Standard & Poor's 500-stock index.
A trader who bought a single Hang Seng futures contract on Monday last week for a minimum deposit of 15,000 Hong Kong dollars faces margin calls to cover 1 cent in the position. Securities Commissioner Ray Astin said that the government had decided to suspend takeover rules to allow companies to buy their own stock beyond the level that would normally require a bid for all outstanding shares. Li Ka-shing, the local prop-



Hong Kong residents getting news of the exchange opening from a screen in a bank window.

erty magnate, was among those who pressured the government for the change.
Mr. Li announced Monday that he was prepared to spend 1 billion Hong Kong dollars to support the shares of his companies, which include such major corporations as Cheung Kong (Holdings), Hongkong Electric and Hutchison Whampoa.
Buyback programs could help the market stabilize later in the week, analysts said. As elsewhere, however, few analysts were willing to say where the market would find support in an environment of panic selling.
"There's a lot more selling that simply didn't go through today," said Timothy Moe, a manager at Jardine Fleming (Securities) Ltd. "It seems clear that there are many investors who want out and are willing to sell at any price."
Among the worst hit were Swire Pacific, which fell 9.7 Hong Kong dollars, to 14.20, and Sun Hung Kai Properties, down 6.75 to 9.85. Hongkong & Shanghai Bank ended at 7.40, off 2; Hongkong Land lost 3.70, closing at 7.30 Hong Kong dollars.

Protection increased
The Hong Kong stock exchange will raise the amount it will return to members to as much as 2 million Hong Kong dollars per cus-

tomers default, from a maximum of 500,000 dollars, the exchange chairman, Ronald Li, said Monday.
He said the increase would be financed by an additional payment of 30,000 dollars to the exchange's guarantee fund by each of the 1,000 members, Reuters reported. But he said only a handful of members were now having financial problems and the amounts involved in each case were between 2 million and 3 million dollars.

DOLLAR: Weakness Unleashes Steep Decline in Stocks

(Continued from Page 1)

Otto Pohl, was to revise downward the reference ranges set for the dollar against other major currencies in the Louvre Accord of February. The dealers suggested that the United States wanted the dollar to fall to around 130 yen and 1.60 DM.
Economists, however, said such a decline seemed out of the question.
"I just don't believe it," said Gert Schmidt, an economist with Industriekreditbank in Düsseldorf. "If the dollar fell to 1.60 DM, it would be a terrible blow to West Germany's exports and thus the economy as a whole. And it wouldn't do anything to help the U.S. trade deficit."
The trade deficit, Mr. Schmidt said, is caused more by strong, insatiable demand for imports in the United States and structural problems in the nation's economy, where manufacturing capacity in some sectors has outstripped so severely that export business is a faint hope and many companies that could export are unwilling to try to compete on a global scale.
"I'm highly skeptical," said Brendan Brown, an economist with CountryNatWest in London. "The dollar's outlook has deteriorated severely because of the market collapse, but I don't see the central

London Dollar Rates

Table with columns for Currency, Bid, Offer, and Source. Includes Deutsche mark, Pound sterling, Japanese yen, Swiss franc, French franc.

line of tight monetary policy if it is affecting their economy adversely."
A West German economist said that easing was possible but that the government was currently juggling some serious domestic economic problems, such as financing a tax-reform package, predictions of sharp growth in its own budget deficit in 1988 and a slowdown in the export economy.
These factors, combined with fear of inflation, which is more central than real at the moment in West Germany, could severely limit the Bundesbank's options, he said.
In New York, the dollar closed at 142.350 yen, up from 141.775 on Friday; at 1.4655 Swiss francs, down from 1.4705, and at 5.9500 French francs, down from 5.9545.
The dollar was marginally higher against the British pound, which closed at \$1.0850, against \$1.0855 on Friday.
In London, the dollar closed at 142.350 yen, down only slightly from 142.45 on Friday; at 1.4635 Swiss francs, down from 1.4785, and at 5.9255 French francs, down from 5.9725.
The dollar was also lower against the pound, which closed at \$1.0875, against \$1.0753 on Friday.
Earlier in Europe, the dollar was fixed in Paris at 5.9180 French francs, down from 6.0385.

Monday's OTC Prices
NASDAQ prices as of 2 p.m. New York time. Via The Associated Press

Large table of OTC stock prices with columns for High, Low, P, A, M, Bid, Offer, Div, Yld, and various stock symbols.

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Monday's AMEX Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table of AMEX stock prices with columns for High, Low, P, A, M, Bid, Offer, Div, Yld, and various stock symbols.

SPORTS

Twins Rally to Eke Out 4-2 Victory, Beat Cardinals in World Series

After Quite a Scare, Nice Guys Finish First

By Thomas Boswell

MINNEAPOLIS — Tickets to the first and second games of the World Series were scalped with ease for \$800 a pair. "The Pope Needs A Ticket," said one sign. Cars downtown had their horns honked all day. Police decided they'd have to enforce laws against passengers leaning out the windows of moving vehicles.

Saturday, for the sixth game, after the Minnesota Twins had lost three straight in St. Louis, scalpers were dumping tickets for half of face value; as low as \$20 each. Shops posted signs saying: "Sorry, Twins merchandise is not returnable." By the fifth inning Saturday, with the Cardinals ahead by three runs, the "Thunderdome" was a nice quiet place in which to read a book. Only an hour, and a grand slam, later, policemen with fake dead cardinals taped on the bills of their blue hats had joined a conga line of fans by the beer stand. At 1:45 A.M., long after the Twins come-back that day, sleepers on the upper floors of high-rise hotels in downtown Minneapolis were being awakened by the nonstop honking of horns.

Sunday evening, once again, the pendulum of civic schizophrenia had swung and scalpers were in seventh heaven. "Compassion, please," said one sign. "Kids Have Ties. Dad needs one."

The northern states have long had America's friendliest and most unashamedly die-hard fans. They enjoy, but do not trust, victory. They endure, but do not truly suffer, from defeat. They say it's a hybrid attitude, part Lutheran and certainly part Scandinavian. On the other hand, they're certainly human. They'd really like to get to chant "We're No. 1" at least once a lifetime. Will a Homer Hankie to a favorite grandchild?

For Minnesotans, Sunday was a night of glorious sport, testing all their wangs of emotion, inquiring of their souls if they could really lose defeat in the eye without tears. Can you come this close and not care to the roots of your toes?

The Twins and their fans had every right to feel the ghosts of their long and bleak history reaching up to tie their shoelaces and trip them. All the Homer Hankies began losing their magic as one mysterious and ominous happening after another bedeviled the Twins. In the very first inning, Jose Oquendo riddled Gary Gaetti of an RBI double with a grand, rmbbing-Gaetti catch in right. In the second, the Cardinals slapped Frank Viola around like a base fiddle, four sharp singles producing two runs.

In the bottom of that inning the Twins, despite a hit batter and three hits, got only one run. And Don Baylor was thrown out at the plate by Vince Coleman. That is, the throw beat him by yards and umpire Dave Phillips called him out, but replays showed that catcher Steve Lake's tag was so slow and high that Baylor probably was safe.

Innings like that make one nervous. Especially when, not long after, there is an inning even more ominous: a single, a double off the center-field fence, a walk and a single to left — and one run? But then Kirby Puckett should not have tried to take third on a pick in the dirt that bounced only a yard from Lake's



Frank Viola quickly gave up two runs, then allowed only two more hits in eight innings.

foot. Was Puckett out by 10 feet or 20? And it didn't make stomachs any less acidic in Lake Wobegone territory when Gaetti, the languid Dr. Crack, was thrown out at the plate by Coleman, who hardly has the National League's best arm but charges balls at laser speed and pegs it straight.

But as Whitney Herzog goes, so go the Cardinals. In the sixth game, he showed his prowess with John Tudor in the fifth inning when the team had a 5-2 lead and a fresh bullpen. As the manager said later, "Bam, bam, bam." Single, double, homer, single before Tudor leaves with nobody out, and everybody scores eventually. So, in the seventh game, Herzog shifted tactics. When starter Joe Magrane, working better than any other St. Louis pitcher in this Series, botched his job of covering first on a grounder, Herzog lifted him with one out and one on in the fifth. First pitcher to be knocked out of a Series by his own foot.

On came Cox and with him bedlam. Cox never got an out in the fifth, just Puckett and Baylor sliding into tags at bases. Then Cox walked the first two batters of the sixth. This is how you awaken Minnesotans.

By the time Todd Worrell had walked Roy Smalley, on his birthday, to load the bases, the decibel meters had been broken. When Worrell reached a full count on Greg Gagne, the Twins' worst hitter of the Series, the people of the state of Minnesota had made a decision. They gave their hearts. The Hankies waved and Gagne's foot reached first base a yard before third baseman Tom Lawless' throw. That was enough. For once, the good guys, the nice state, the team that had said "Please" for so long had finished first. And Minnesotans could scream "We're No. 1" all night. All winter, too.

Pitcher Viola Named MVP

By Michael Martinez

MINNEAPOLIS — The Minnesota Twins, regarded as little more than intruders when major league baseball's postseason playoffs began almost three weeks ago, won their first World Series championship Sunday night with a stirring 4-2 victory over the St. Louis Cardinals inside the raucous Metrodome.

It was the second championship in the history of the franchise, but the first since 1924 when it was won by the Washington Senators, the team that was moved to Minneapolis in 1961.

The Twins became the 10th club in 10 years to win the World Series, and they did it by coming from behind for a third time. They trailed this game by 2-0 in the second inning, then scored once each in the second, fifth and sixth and eighth.

They also did it behind gritty pitching from Frank Viola. The left-hander, working on three days' rest for the second time in the Series, struggled briefly in the second, then allowed only two more hits through the eighth. Jeff Reardon pitched a scoreless ninth, giving Viola his second victory in the Series.

The deciding hit in the deciding game was Greg Gagne's infield single in the sixth with the bases loaded. The Twins added a run for good measure in the eighth when Tim Lander hit a one-out single off Todd Worrell and scored on Dan Gladden's double to the fence in right-center.

Never had there been a World Series in which the home team won every game. But the dome, filled to capacity with 55,376 hanky-waving fans, became a security blanket for the Twins. They had this season's best record at home and one of the worst on the road. They came to the 85 regular-season victories, then eliminated the favored Detroit Tigers in five games.

They beat St. Louis in the first two games here, lost three straight in Busch Stadium and were an unlikely choice to rally, despite returning home. But they did, leaving the Cardinals with two World Series losses in three years. St. Louis



Catcher Steve Lake, who had tagged out two Twins, was disheartened when Tom Laudner slid in with Minnesota's fourth run.

won the title in 1982 but lost it in 1985 to Kansas City. Viola had hoped to atone for his dullish performance Wednesday in St. Louis, where he pitched only 3 1/2 innings, gave up five runs and took the loss in a defeat that tied the Series at two games apiece.

Sunday night, he seemed to be pitching on emotion in the first inning, striking out Vince Coleman to a backdrop of deafening cheers, then setting down Ozzie Smith and Tom Herr with minimum effort.

But, just as quickly, Viola's fortunes turned. In the second, the St. Louis batters appeared eager to swing at the first appealing pitch they saw. Jim Lindeman and Willie McGee each hit a first-pitch single. Tony Pena drove in Lindeman with a single to center, and Steve Lake hit a two-out, first-pitch single to left to score McGee for a 2-0 lead.

Viola found a second wind, retiring the next 11 batters, while the Twins got back one run in the second, tied the game in the fifth and took the lead in the sixth.

The Cardinal defense rose spectacularly in the deciding game, with all three outfielders — Coleman, McGee and Jose Oquendo — making excellent plays. In the first, Oquendo sprinted

into right-center field to make a shotgun catch of Gary Gaetti's fly ball with two out and a runner on first. In the second, Coleman threw out Don Baylor, who was trying to score from second base on a single by Laudner, although a television replay showed that umpire Dave Phillips probably missed the call. And in the third, McGee ran deep into center field to make a leaping catch of Kirby Puckett's fly just in front of the fence.

But the Twins, despite their ill-adviced running, were able to tie the score by the fifth. They got one run in the second inning when Steve Lombardozzi lined a single to center to drive in Tom Brunansky from second, and they added one in the fifth after Whitney Herzog, the Cardinals' manager, replaced his starter, Joe Magrane, with Danny Cox, who had pitched 7 1/2 innings Thursday night in St. Louis.

Magrane got one out routinely, inducing Dan Gladden to ground out to shortstop. But the next batter, Gagne, hit a high bouncer wide of first. Lindeman grabbed the ball and threw. Magrane, who was not quite at the bag, turned and appeared to drag his left foot across the top of the base just as Gagne ran by. But umpire Lee Weyer called

Gagne safe, and the infield hit became Magrane's exit. Puckett greeted Cox by driving his first pitch into the gap in left-center for a double that scored Gagne and made it 2-2. But Puckett then made a shameful mistake when a pitch by Cox eluded catcher Lake with Baylor at bat. The ball fell behind Lake, who spun, picked it up and easily threw out Puckett, trying to sneak into third.

The inning then vanished miserably with another runner thrown out at the plate. Baylor singled sharply to left, and Gaetti — who walked and took second as Puckett was thrown out — attempted to come around to score. But Coleman made another superb throw to the left, and Gaetti set himself for a collision.

Collision it was. Gaetti drove his left shoulder into the catcher, who took the charge, held up the ball and curled up in the dirt. But he left the field without help, and the score remained even.

The Twins' inning ended with two singles, a double and a walk — and all they got for it was one run. Viola was still pitching by the sixth, and he was aided by what seemed to be another missed call by the umpires. This time, Herr

was at first base with a single when Viola threw over on a pickoff. Herr was an easy out in a rundown, but he appeared to get his foot back on first as the throw from Lombardozzi skipped off Kent Hrbek's glove and went to Viola, who applied the tag. Nonetheless, Weyer called Herr out. In the bottom half of the sixth, there were more unusual doings. Cox walked the first two batters, Brunansky and Hrbek, on five pitches each and was removed by Herzog. As he left, he five times shouted an expletive at Phillips, the plate umpire, and was ejected as he walked toward the dugout.

Worrell, the reliever who is usually saved for the late innings, was brought in. He got Laudner to foul out but walked Roy Smalley, pinch hitting for Lombardozzi, on a 3- and 2-pitch to load the bases.

Gladden struck out before Gagne hit a sharp grounder toward third that bounced twice before it was flagged down by a diving Tom Lawless. Lawless rose quickly and threw, but Gagne, in a full-out sprint, beat the throw as Brunansky came in for a 3-2 lead. Still, the Twins left the bases full when Worrell struck out Puckett to end the inning. This time, though, it wouldn't matter.

SCOREBOARD

Baseball

World Series

Table with columns for Game 7 Summary, Minnesota wins series 6-3, and individual player statistics for St. Louis and Minnesota.

Table with columns for World Series Winners, listing the Minnesota Twins as the winners of the 1987 World Series.

Table with columns for World Series MVPs, listing Kirby Puckett as the Most Valuable Player.

World Series Composite Box Score

Table with columns for Batting Summary and Pitching Summary, showing team statistics for both sides.

Soccer

Table with columns for Spanish First Division, listing scores for various soccer matches.

Junior World Championship

Table with columns for Junior World Championship, listing scores for various international soccer matches.

Football

NFL Standings

Table with columns for American Conference and National Conference, listing NFL team standings.

CFL Standings

Table with columns for Eastern Division and Western Division, listing CFL team standings.

Hockey

NHL Standings

Table with columns for Wales Conference and Campbell Conference, listing NHL team standings.

Golf

Table with columns for Top finishers and earnings, listing golf tournament results.

Transition

Table with columns for Football and Hockey, listing various sports events and results.

Fans, and Giants, Come Storming Back

Compiled by Our Staff From Dispatches

NEW YORK — Five disorienting and disillusioning weeks filled with endless talk of contract bargaining, strikebreaking and anti-trust lawsuits had served to remind fans across the United States that football is as much a business as a sport — and as nasty a business as it is violent a sport. Sunday, providing small consolation for some and enormous relief for others, it was

NFL Roundup

finally business as usual again in the National Football League. Although numbers generally fell short of capacity, fans poured into stadiums throughout the league to watch the first games between complete teams of regulars since the players' strike began Sept. 22.

Cardinals' Quarterback, Neil Lomax, went down reluctantly under one of the Giants' five sacks during a 30-7 rout.

peristed about what kind of football to expect. Although many of the striking players had worked out regularly to stay in shape, there was widespread suspicion that the quality of play would suffer as the teams rushed to regain their timing and form. Despite some sluggish starts and sloppy play, the day was marked by an extraordinary number of close contests.

NBA Bucks Rout Soviets

MILWAUKEE — Basketball, conceived and nurtured in the United States but now a sport played worldwide, remained an American game Sunday when the Milwaukee Bucks of the National Basketball Association beat the Soviet national team, 127-110, after leading by as many as 50 points in the final of the McDonald's Basketball Open.

Reid, in 11th Year On Tour, Prevails

The Associated Press TUCSON, Arizona — Mike Reid came from four strokes back Sunday with a five-under-par 67 to win his first tournament, the Tucson Open Golf Tournament, in 11 years on the PGA Tour.

Reid, in 11th Year On Tour, Prevails

Reid, 33, took advantage of Fuzzy Zoeller's front-side troubles to gain a share of the lead, then pulled away from Hal Sutton on the back side and finished at 268, a whopping 20 strokes under par.

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ART BUCHWALD

Baby's Investment Advice

WASHINGTON — There are many young people who work in the stock market investing billions of dollars of other people's money. These young investment advisers have known only success, so Black Monday hit them very hard.



Monday then bought it. When this happens the Dow Jones usually goes down. "It could be a reasonable explanation," I agreed with Baby's mother. "Why didn't he sell with the others?"

\$1.5 Million Paid For Titian Work

VENICE — A painting of Hannibal by the 16th-century Venetian painter Titian was sold Sunday for 2 billion lire (about \$1.53 million).

"Two weeks ago I was a nouveau riche — now I'm a nouveau pauvre. Baby has to answer for that." The mother said. "Baby is taking this very hard. He told me he doesn't want to grow up in a world where people have a chance of losing money in the stock market."

A Poet on Matters 'of Life and Death'

By Elizabeth Kastor

Washington Post Service

WASHINGTON — The United States' official sanctioned poet has heard many times the jokes about the poet laureate having to write odes to the president's horse.



Richard Wilbur: "I think to be inarticulate is a great suffering."

Wilbur began his tenure as the nation's second poet laureate with a lunch at the Library of Congress and an evening reading of his work. "There have been lots of letters from old schoolteachers and friends, that kind of thing. But what I'm really grateful for is not all the attention to me, but to poetry."

of Ping-Pong and was "a real charmer in college." Throughout the years of prizes and Ping-Pong, Wilbur has remained devoted to precision of language and expression. Even when speaking of teaching, a job he enjoyed before retiring recently, he beams the need to convey information quickly in a classroom, a pressure that compels professors to "settle for second-rate language all day. You settle for whichever words come to you. That erodes the soul."

seems out of sync with the realities of the modern world outside the confines of academia. But that faith also gives his work a clear-minded serenity, even when describing the loneliness of an insomnia.

Someone is breathing. Is it? Or is it Darkness conspiring in the nursery corner? Is there another lying here beside me? Have I a cherished wife of thirty years? Far overhead, a long susurrus, twisting. Clockwise or counterclockwise, plunges east. Twin floods of air in which our flagellate cries.

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